LEHMAN BROTHERS | Equity Research

NORTH AMERICAN MORNING RESEARCH SUMMARY

Wednesday, June 18, 2008

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For complete details of the research together with the associated important disclosures and valuation methodologies, please see the full note on LehmanLive.

PLEASE SEE IMPORTANT DISCLOSURES BEGINNING ON PAGE 11.

KEY FORECAST CHANGES

SECURITY / SECTOR	TICKER	CURR	RATING		PRICE TARGET		CUR YEAR EPS		NEXT YEAR EPS	
			OLD	NEW	OLD	NEW	OLD	NEW	OLD	NEW
COMPANY RATING CHANGES										
BorgWarner Inc.	BWA	US$	2-EW	1-OW	47.00	60.00	3.05	2.95	3.60	3.45
Colfax Corp.	CFX	US$	0-NR	1-OW	N/A	30.00	N/A	1.15	N/A	1.35
TARGET PRICE CHANGES										
Cogo Group, Inc.	COGO	US$	1-OW	unch	21.00	15.00	0.92	unch	1.09	unch
Discover Financial Services	DFS	US$	2-EW	unch	20.00	18.00	1.78	1.52	1.75	1.50
FirstEnergy Corp.	FE	US$	1-OW	unch	84.00	90.00	4.25	4.30	5.10	5.70
Gannett Inc.	GCI	US$	3-UW	unch	22.00	21.00	3.75	3.70	3.35	3.20
Panera Bread	PNRA	US$	2-EW	unch	46.00	50.00	2.04	2.14	2.32	2.54
Research In Motion	RIMM	US$	1-OW	unch	145.00	165.00	3.61	3.85	5.07	5.63
ESTIMATE CHANGES										
Goldman Sachs Group Inc.	GS	US$	2-EW	unch	200.00	unch	15.04	16.81	18.62	20.90
PPG Industries	PPG	US$	1-OW	unch	70.00	unch	5.38	5.40	5.73	unch
Rohm & Haas	ROH	US$	2-EW	unch	50.00	unch	3.66	3.53	4.28	unch
The Hershey Company	HSY	US$	2-EW	unch	34.00	unch	1.85	unch	N/A	1.90

* unch - no change

Autos & Auto Parts: TURBO GDI: ENGINE OF THE NEAR FUTURE

Sector Rating:	2-Neutral

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- OEMs are faced with unprecedented consumer and regulatory pressure to improve fuel economy. While longer term plug-in hybrids offer breakthrough promise, between now and 2015, we believe OEMs will be reliant on downsizing and incremental improvements in internal combustion efficiency. With current engines only capturing about 35% of the energy stored in a gallon of gasoline, improvements that target improved thermal and mechanical efficiency are both achievable and cost effective, in our analysis. In particular, turbocharged gas direct engines (GDI) offer 15 - 20% better fuel economy with proven technology. While diesel engines offer 20 - 25% improvement, they also require more expensive emissions controls and increasingly scarce (and costly) diesel fuel. Thus, we expect to see OEMs rapidly increasing their offerings of turbocharged GDI engines, growing by nearly 40% between now and 2013 (and coexisting with diesel and hybrid). We see parts companies, rather than OEMs, as the preferred route for investors to tap the trend to GDI, and are upgrading in a parallel note BWA.
- Auto makers around the world are faced with rising regulatory fuel economy requirements and, perhaps more importantly, rapidly shifting consumer demand for more fuel efficient vehicles. As fully electric vehicles are a longer term solution at scale, we believe refinements to the internal combustion engine are required to meet near to midterm consumer and regulatory demands.
- The standard gas engine wastes about 75% of the energy in fuel - or about 105 bil gallons of gas annually in the US. The gas direct injection engine provides 15% to 20% better fuel economy than a standard port injected spark ignition engine through better thermal efficiency and improved mechanical efficiency as well as allowing the OEM to downsize the engine. These 3 levers attack the primary sources of energy loss in an internal combustion engine.
- Current OEM plans to roll out gas-direct injection engine are likely to be speeded up in light of sustained high gas prices and marked shifts in consumer preferences for fuel economy. In addition, the high cost of diesel provides a further impetus to accelerate growth of gas-direct injection engines. As a result, we expect gas-direct injection power trains to account for 20% of power trains by 2015, ahead of automaker projections.
- GDI requires enhanced fuel ignition, enhanced piston and cylinder linings, and benefits significantly from turbocharging and advanced variable valve timing. We believe the net beneficiaries of the trend towards to GDI will likely be companies with expertise in diesel engines, given the similarities of the combustion cycle. This includes BWA, HON, Continental, Federal Mogul (not rated) and, longer term, Tenneco. With the faster than consensus projections for GDI growth and concerns over diesel fallout, we believe investors may be underestimating the future growth potential of these companies.

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BorgWarner Inc. (BWA): UPGRADING BWA ON TURBO GAS BOOST

Stock Rating:	1-Overweight
Sector Rating:	2-Neutral
Price:	US$ 49.16
Price Target:	US$ 60.00
Current Year EPS:	2.95
Next Year EPS:	3.45
Market Cap:	US$ 5708 (m)

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- We are upgrading BWA to 1-OW. We view BWA as the best positioned supplier to benefit from the 70's style mix shift the industry is experiencing, thanks to the strong focus of its product portfolio on improved fuel economy, lower emissions and better vehicle performance. As explained in our industry note published concurrently, we view turbocharged GDI engines as the 'engines for the near future', and expect global demand for turbos to keep expanding rapidly. This expansion, along with a rapid increase in fuel-saving dual clutch transmissions, should support continued growth for BWA's EPS in the mid-teens through 2015.
- We are raising our PT to $60, as we start focusing on BWA's 2010E EPS of $4.25 and are increasingly confident that the stock's impressive growth story for the 2010-15 time period deserves to trade closer to multi-industry multiples.
- Investor concern that a shift away from diesel, combined with the growth of hybrids, will mute demand for BWA engine products appears overdone to us, as it ignores BWA's strong position in turbo gas engines, which will coexist with hybrids at least through 2015.
- Additional bullet below...

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China Mobile Limited (0941.HK): Await next gov't move on regulations

Stock Rating:	1-Overweight
Sector Rating:	1-Positive
Price:	HKD 107.50
Price Target:	HKD 180.00
Current Year EPS:	
Next Year EPS:	
Market Cap:	

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- We maintain our 1-Overweight investment rating on China Mobile.
- We believe the joint announcement by MII, NDRC, and MoF on May 24 has heightened investor concern about regulatory risks in the mainland telecom market.
- In this note, we recap the impact on SKT since the Korean government introduced asymmetric regulations in 2004.
- Although we do not expect the PRC government to introduce asymmetric regulations soon, we believe the negative sentiment among investors has overshadowed the fundamentals of China Mobile.
- There are some key differences between the current Chinese mobile market and the Korean mobile market in 2004. Therefore we cannot conclude that what happened in Korea will happen in China as well.
- IBES consensus projects that China Mobile's earnings will grow at 35% in 2008. In our view, with China Mobile trading at 16.2x one-year forward P/E, 35% y-o-y earnings growth is not demanding.

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Cogo Group, Inc. (COGO): Stable 2008 Outlook

Stock Rating:	1-Overweight
Sector Rating:	2-Neutral
Price:	US$ 11.15
Price Target:	US$ 15.00
Current Year EPS:	0.92
Next Year EPS:	1.09
Market Cap:	US$ 429 (m)

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- Mgmt preannounced in-line 1Q results and 2008 guide, as digital media, industrial strength offset weaker domestic handset sales. Inflation concerns are likely to linger, however, yielding a lower price target.
- 1Q08 expected sales and EPS of ~$68M/$0.21 is modestly above our ests ~$67M/$0.20.
- Int'l handset shipments, strength in digital media and industrial businesses offset domestic handset weakness due to Sichuan earthquake, inflation.
- Mgmt reiterated its 08 outlook of $290M/$0.92 as Cogo's diversified biz should enable the company to buffer potential softness in domestic handsets.
- However, we believe upside to our '08 ests may be tempered as mgmt cited inflation as a factor impacting its domestic handset biz potentially extending the tempered demand environment.
- We therefore believe multiple contraction is warranted and are lowering our price target to $15, or 12x our 09 op EPS of $1.00 plus ~$3 per share in cash.
- We believe downside is limited at current levels of 10x our CY09 ests given stable growth outlook, mgmt's proven ability to execute, and 5M share repurchase plan.

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Colfax Corp. (CFX): Initiating Coverage: 1-OW Rating, $30 PT

Stock Rating:	1-Overweight
Sector Rating:	1-Positive
Price:	US$ 23.57
Price Target:	US$ 30.00
Current Year EPS:	1.15
Next Year EPS:	1.35
Market Cap:	US$ 1037 (m)

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- Strong trends in end markets combined with margin leverage could drive impressive earnings growth. Company roots and Colfax Business System suggest sound execution.
- We are initiating coverage on Colfax Corporation with a 1-Overweight rating and $30 price target, based on ~22x our 2009 EPS estimate of $1.35.
- With organic order growth of 24% in 1Q and 28% in April-May, and organic backlog growth near 50%, end market trends remain strong. Organic revenue growth was only 2% in 1Q due to timing but April-May tracked at 15% and the company expects double digit organic revenue growth for the year (order trends suggest strong double digits).
- 1Q gross margin expansion of 310 bps was impressive in a seasonally lighter quarter. We think volume leverage and execution of the Colfax Business System (CBS) could continue to drive margin expansion.
- In addition to strong organic growth, reduced net debt positions the company well for acquisitions.

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Corning Inc. (GLW): Mgmt Still Very Upbeat on Outlook

Stock Rating:	1-Overweight
Sector Rating:	2-Neutral
Price:	US$ 26.65
Price Target:	US$ 33.00
Current Year EPS:	1.94
Next Year EPS:	2.03
Market Cap:	US$ 41971 (m)

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- We hosted investor meetings with Corning mgmt this week where the company maintained its upbeat outlook. We see no risk to Q2 results but expect TV demand concerns to remain overhang for shares offset by relative cheap valuation that in our minds suggests shares will remain range-bound near-term. Still top pick longer-term fueled by portfolio of technologies that should drive EPS growth of 10-15% for years to come.
- In LCD, management suggested no change in positive view as (1) seeing no panel inventory build; (2) healthy US TV unit sales of 43% per NPD in May (which is reacceleration from low 30's in Apr); (3) expects to see no glass inventory build in the Q. China potential area of concern given earthquake but no clear data to support slowdown in demand there.
- For Dow Corning, see steady ramp of capacity at Hemlock suggesting potential upside here for Q3 (ramping 10k metric tons capacity in 2007 to 14.5k for 2008 but exiting 2008 at ann run rate of 19k).
- Depreciating Yen should have limited impact on Q2 ($0.005 to $0.01) but potential headwind for 2H08 depending on exchange rate.
- At $26, shares trade 13x our CY08/09 EPS ests.

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Discover Financial Services (DFS): 2Q Preview; Expect Higher NCO Guidance

Stock Rating:	2-Equal weight
Sector Rating:	2-Neutral
Price:	US$ 16.13
Price Target:	US$ 18.00
Current Year EPS:	1.52
Next Year EPS:	1.50
Market Cap:	US$ 7731 (m)

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- Discover Financial will be reporting its fiscal 2Q08 results before the market opens on June 26. We expect charge-offs to increase by just over 70 bps linked-quarter to 5.10%, and while delinquencies will likely show a seasonal drop, we believe macro-economic conditions including reduced access to liquidity, rising unemployment, higher food and gas prices, and lower consumer confidence will lead the company to build reserves. That said, we also expect net interest margin expansion to at least partially offset credit deterioration. With roughly half the company's receivables fixed-rate, and funding costs down considerably linked-quarter given the drop in Libor and deposit rates, we estimate that the company's net interest margin will expand by 50 bps versus 1Q08 levels. After adjusting our estimates for higher charge-offs and reserves, we are reducing our 2Q08 estimate by $0.06 to $0.41, and our 2008 EPS estimate down by $0.26 to $1.52.
- While the company's previous charge-off guidance for 2008 was 4.75% to 5.00%, management has not reiterated this guidance for some time. We expect the company to introduce a new charge-off guidance range that is 25 bps to 50 bps higher.

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FirstEnergy Corp. (FE): Raising Our Target

Stock Rating:	1-Overweight
Sector Rating:	1-Positive
Price:	US$ 79.61
Price Target:	US$ 90.00
Current Year EPS:	4.30
Next Year EPS:	5.70
Market Cap:	US$ 24268 (m)

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- We are raising our 2009 EPS estimate $0.60 to $5.70 ($5.26 consensus) and our 2011E is $7.97 which reflects higher generation output prices in Ohio and Pennsylvania. Our $90 target is $6 higher which is a modest integrated utility premium 15.8x 2009 P/E of our $5.70
- In our opinion, FE is a relatively safe Power story tied to under-market generation sales contracts expiring in Ohio 1/1/2009 and in Pennsylvania 1/1/2011. We see potential upside of $1.40 in 2009 from the Ohio process and about $1.20 in PA in 2011.
- Following legislation this Spring, FE is working to settle market-rate plans for submission early August. We assume 10% rate increases from 2009-2011.
- In Pennsylvania FE's utility subs would benefit from the absence of rate-cap extensions which would require legislation. The 2008 PA legislative session may provide no resolution to expiring 2011 rate caps, but we don't see that as negative.
- Our free cash flow estimates pre-dividend rise from $586M for 2008 to $1.1B in 2009, $1.9B in 2010 and $2.2B in 2011 which is an 9.1% free cash flow yield.

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Gannett Inc. (GCI): Lowering Estimates Yet Again

Stock Rating:	3-Underweight
Sector Rating:	3-Negative
Price:	US$ 25.57
Price Target:	US$ 21.00
Current Year EPS:	3.70
Next Year EPS:	3.20
Market Cap:	US$ 5848 (m)

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- We maintain our 3-UW rating but cut our price target to $21 vs. prior $22. Given heightened secular pressures, we do not view the valuation as attractive trading at 5.1x/5.7x 2008/09 EBITDA or 6.2x/7.2x FCF. Street estimates remain too high for Gannett and newspaper peers, in our opinion. We think just valuation in a secularly declining business is not enough to hold up the shares.
- Cutting 2008/09 EPS estimates to $3.70/$3.20 vs. prior $3.75/$3.35(E) and $3.91/$3.64 consensus.
- Reducing our 2008 newspaper ad revenue estimate to down 12.2% (vs. prior down 11.6%), but maintaining our 2009 estimate of down 6.0%. Risk remains to the downside, in our view.
- May newspaper ad revenue down 14.3% (retail down 9.7%, national down 15.4%, and classified down 18.8%) vs. our prior 2Q(E) down 11.6%.
- USA Today ad revenue in May down 18.4%.
- We are giving Gannett a lot of credit on the cost front as we are assuming non-newsprint cash costs down 6.2% and down 5.0% in 2008 and 2009, respectively, vs. our prior estimates of down 5.8% and down 3.5%.
- We expect average newsprint prices up 13% in 2008 and up 7% in 2009.

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Goldman Sachs Group Inc. (GS): Diverse Business Mix Delivers Strong 2Q

Stock Rating:	2-Equal weight
Sector Rating:	2-Neutral
Price:	US$ 179.44
Price Target:	US$ 200.00
Current Year EPS:	16.81
Next Year EPS:	20.90
Market Cap:	US$ 70736 (m)

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- We believe that GS posted strong 2Q08 results with $4.58 of EPS well in excess of the $3.42 Street consensus. However, with the shares running up in advance of EPS (+7.6% in the past three trading days vs. the S&P500 up 0.8%), we believe the market has largely discounted the expected and now delivered outperformance. With the current valuation trading close to an implied 20% ROE run-rate, we believe the shares are slightly above fair value given our expectation for closer to mid-teens ROE run-rates.
- We believe that GS has avoided the sizeable writedowns of its peers by not relying on any one product or business line disproportionately to generate revenues. Further, we believe that GS remains in a nearly unique position to deploy capital to take advantage of volatile market conditions like the present.
- We believe that perceived improvements in market liquidity, as well as reduced balance sheet leverage and a seemingly good first showing on the Basel-II Tier 1 capital ratio disclosures could drive the shares above fair value near term. Short term investors might wish to take profits off recent gains were that to transpire.

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Honeywell International (HON): Turbo Positioned for Strong 2009+

Stock Rating:	1-Overweight
Sector Rating:	1-Positive
Price:	US$ 55.06
Price Target:	US$ 70.00
Current Year EPS:	3.80
Next Year EPS:	4.40
Market Cap:	US$ 40828 (m)

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- We think the strong 2008 guidance could still prove conservative and we think Honeywell's Turbocharger business could be one factor driving a strong outlook in 2009+.
- After a few slower years, we think Honeywell's Turbo business could be poised to return to double-digit growth in 2009+ driven by global growth in turbocharging. Compared to non-turbocharged gas vehicles, turbochargers can deliver better fuel efficiency without sacrificing power (20% better fuel efficiency for gas, 35% for diesel).
- Europe has been a big growth driver for turbo as diesel penetration for passenger vehicles in the region increased from ~3% in the 1970's to ~54% today (could go to ~70%+). Now turbo demand could ramp in the U.S. and other countries as well, driven by turbos on new diesel and gas passenger vehicles being introduced. We think turbo penetration is only ~3% for diesel and ~3% for gas in the U.S. but Honeywell thinks these could each go to 8%+ each over the next 5 years.

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Mattel, Inc (MAT): ANALYST DAY TAKEAWAYS

Stock Rating:	2-Equal weight
Sector Rating:	2-Neutral
Price:	US$ 19.86
Price Target:	US$ 22.00
Current Year EPS:	1.20
Next Year EPS:	1.65
Market Cap:	US$ 7199 (m)

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- Mattel held an analyst meeting at its headquarters in El Segundo, CA on June 17. The meeting provided an overview of the company's current operations, a review of challenges in the current cost environment and an update on brand strategies. We provide highlights in this note.
- MAT updated its expectations for product testing costs related to lead and other chemicals to 1.5% of COGS from 1.0% previously.
- During the quarter, about 300K Speed Racer products were withdrawn from international retailers by Mattel because they did not meet the co's internal safety requirements for certain chemicals. While there will be an impact on the quarter's results, it was not quantified. For the year, the impact should be immaterial.
- The company will develop a live-action feature film based on the Hot Wheels property and will introduce a Masters of the Universe movie to coincide with the re-launch of the He-Man toy line likely in 2010.
- We maintain our 2-Equal Weight rating on MAT shares due to a lack of positive catalysts over the near term, in our view.

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MF Global Ltd. (MF): MF Details Capital Raise; Guides Weak 1Q

Stock Rating:	1-Overweight
Sector Rating:	2-Neutral
Price:	US$ 13.91
Price Target:	US$ 20.00
Current Year EPS:	1.65
Next Year EPS:	1.97
Market Cap:	US$ 1670 (m)

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- MF last night provided updates to its previously announced capital raising plans in addition to giving guidance for f1Q. 1.) MF announced the $150mm existing shareholder portion of the $300mm convertible preferred transaction with JC Flowers. 2.) The company announced a $150mm convertible senior notes offering. 3.) MF provided guidance for its f1Q. Importantly, rev guidance is well below our estimate for the quarter, driven by lower than expected net interest.
- Terms of the offerings, which are expected to price this week, were not disclosed. However, the company stated that both offerings could be upsized by 20%. We expect the preferred share offering to be at terms similar to what was previously disclosed for JC Flowers.
- In regards to the senior notes, we would expect the rate to be lower than the Libor +400/500 disclosed on its $450mm term debt given the equity conversion potential. That said, given the lack of disclosure around the offering, we are challenged to estimate any potential dilution from the equity component. We expect the $150mm notes offering to replace a portion of the recently announced $450mm term debt.

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Oil Service & Drilling - Oil Service: The Original Oil Patch Weekly

Sector Rating: 1-Positive

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- The "Original Oil Patch Weekly" provides industry and company commentary for the oil service and drilling universe. It also contains industry data and analysis.
- Grey Wolf - Precision Drilling Trust (PDS) has made an unsolicited offer to acquire Grey Wolf for $9.00 per share in cash and stock. We believe the proposed transaction would be a better strategic move for Grey Wolf and represents greater value for shareholders compared to the prior merger agreement with Basic Energy Services. The $9.00 offer price from PDS represents approximately 5x our 2009E EV/EBITDA estimate. Under the terms of the agreement, GW shareholders would receive up to 33.3% of the consideration in cash, with the remainder in Precision Drilling stock. Based on other recent transactions, we believe fair value for GW could approach $10/sh. The combined company would have a fleet of 368 drilling rigs, with PDS contributing 247 rigs (230 in Canada, 16 in the U.S. and one in Chile) and GW contributing 121 rigs (all in the U.S. except for two rigs in Mexico). Both Precision and Grey Wolf's fleets have a deep-drilling bias. PDS also has 21 newbuilds under construction, and operates 223 service rigs (all in Canada). Subsequently, GW has stated that the previously-announced merger with Basic Energy Services is superior to the offer from Precision. An increased offer by PDS of $9.30 per share has also subsequently been rejected by GW.
- Halliburton -- The company plans to acquire from Shell Technology Ventures the remaining 49% equity interest of Well Dynamics (the market leader in intelligent well completion technology) that it does not already own. Well Dynamics revenue is estimated to be $300 million-$400 million, but growing fast and income has been lumpy. With Halliburton owning the entire company, Well Dynamics will be able to leverage Halliburton's infrastructure and distribution channels, which should further accelerate growth. The intelligent completion market has significant potential, in our view, particularly in deepwater.
- Chart Industries -- The company has increased pricing for its atmospheric and carbon dioxide bulk tanks by four percent, effective July 15th. The company will continue to adjust surcharges monthly in an attempt to combat rising costs for carbon steel plates and other materials and freight costs. While pricing for nickel has recently declined, the total cost of stainless steel is increasing. We believe the surcharges will allow the company to maintain margins.
- Dresser-Rand -- The company is investing $25 million in its Olean, NY manufacturing facility for the construction of an additional testing facility for the company's compressor-separator technologies, and a new technology center which will house roughly 500 engineers and technologists. The test facility will be available by the close of 2008 and the technology center is scheduled to be completed by early 2009.
- Trico Marine Services -- TRMA acquired an additional stake of approximately 33% in DeepOcean from DOF ASA for roughly $216 million at NOK32 per share. The company has also acquired 4.05 million shares of DeepOcean in the open market at a price of NOK32 per share. The acquisition was not associated with Trico's mandatory offer for the remainder of outstanding DeepOcean shares which is scheduled to close June 30, 2008. The two transactions increase the company's ownership in DeepOcean to approximately 90%.
- The Land Rig Newsletter U.S. total active rig count as of June 6 stands at 1,910 rigs, up by 31 rigs since May 23. Excluding rigs drilling 5,000ft or less, the count rose by 33 rigs to 1,782 Over the past two weeks, Patterson-UTI and Nabors had significant declines in their rig counts (off nine to 216 and off 11 to 213 respectively) while Grey Wolf and Bronco had a slight increase in their rig counts. We expect the trend of rising day rates observed in Q2 (specifically during the month of May) to continue into Q3 with increases of $500 up to $1,000 a day, depending on rig class and geographic market. Employment has been up by 70 units for 500-1,000 horsepower rigs and the sub-500 horsepower market has seen an employment increase of 40 units.
- Diamond Offshore -- The jackup Ocean Champion (250ft. - MS, GOM) received a 90-day term extension plus option with Bois d'Arc from early July to early October '08 at a dayrate in the mid-$60s, above the prior dayrate in the high-$50s and in-line with our mid-$60s estimate. Also, the jackup Ocean Spartan (300ft. - IC) received an extension with Samson from early October to mid-December '08 at a dayrate in the low-$100s, above the prior dayrate in the mid-$80s and above our $90k estimate. Additionally, the semisubmersible Ocean Alliance (5,000ft. - 4th gen, Brazil) received a one-well extension with Petrobras retroactive to late March '08 (from late March '08 to late June '08) at a dayrate in the mid-$520s. The rig will complete this short commitment, and then return to the pre-existing four-year contract with PBR at a dayrate in the mid-$150s ending late November '09. (Then, from late November '09 to late November '15, the rig is working on its pre-existing low-$340s dayrate+15% bonus contract with Petrobras.)
- U.S. drilling permits issued over the past four weeks according to Rigdata totaled 7,516 - up 5.0% from the total of the prior four weeks.
- The Baker Hughes U.S. rig count was up by 15 during the week ended June 13 to 1,901 active rigs. The land rig count was up by 15 to 1,808 and the inland water rig count was down by two to 25. The offshore rig count was up by two to 68.
- The Baker Hughes Canadian rig count as of June 13 is at 230, up by 12 versus the prior week. The count is down by 8.4% compared to its year-ago level.
- Jackup utilization in the GOM was flat at 79.7% during the week ended June 13. Worldwide offshore rig utilization was also flat compared to the prior week, at 90.3%. The number of jackups contracted in the Gulf of Mexico is at 63, and there are currently three idle jackups in the region.

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Omnicom Group (OMC): Updated Earnings Model

Stock Rating:	1-Overweight
Sector Rating:	2-Neutral
Price:	US$ 46.98
Price Target:	US$ 66.00
Current Year EPS:	3.31
Next Year EPS:	3.65
Market Cap:	US$ 14634 (m)

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- Maintain our Overweight rating on Omnicom and $66 price target. Valuation appears quite attractive at 8.4/7.4x 2008/09E EBITDA and 17-19% P/E discount to the S&P 500 vs. a 5-year average of a 5% premium. We continue to believe the strength of Omnicom's global portfolio will allow it to post up 2008 organic revenue growth, despite a worsening economy. Organic revenue growth has increased 8.9% on average from 1990-2007 with no down years (worst year was 2002 at up 2.8%; EPS up 10% that year). Few places in U.S. media or the S&P 500 have that track record.
- Maintain our 2008/09 EPS estimates of $3.31/$3.65 vs. Street consensus of $3.36/$3.71.
- Lowering our 2Q08 organic revenue growth estimate to 4.6% from our prior 5.0% estimate given the worsening economic backdrop.
- Trimming our 2008 organic revenue growth estimate to up 5.0% from our prior up 5.2% estimate, but maintaining our 2009 organic revenue growth estimate of up 5.3%.
- For 2008, now assuming salary and service costs up 9.7% (vs. prior up 10.0%) and office and general expenses up 8.3% (vs. prior up 8.5%).

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Panera Bread (PNRA): Pre-Annc'd 2Q Upside; 09 Wheat Favorable

Stock Rating:	2-Equal weight
Sector Rating:	2-Neutral
Price:	US$ 45.56
Price Target:	US$ 50.00
Current Year EPS:	2.14
Next Year EPS:	2.54
Market Cap:	US$ 1374 (m)

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- Mgmt pre-annc'd 2Q EPS & offered add'l guidance ahead of competitor conference. Comp & margin upside drove greater 2Q flo-thru while non-wheat cost pressures to negatively impact forward EPS, partly offsetting favorable 1H09 wheat contract. We raise our EPS & PT on early pricing flo-thru & 09 wheat cost favorability, yet aggressive pricing & valuation still keep us neutral; mntn 2-EW rating.
- Positives; Lifted 2Q EPS guidance to $0.48-0.50, +23-28% y-y, from $0.40-0.44, with co-op comp of 6.1-6.4%, above 5-6% guidance, & margin upside from pricing. For 09, 95% of 1H wheat contracted at $10 / bushel vs $15 in 1H08. We estimate each $1 swing in wheat adds ~$0.07 to annual EPS
- Negatives; Rising gas prices to reduce 2H08 EPS $0.02-0.03. For 09, part of favorable wheat offset by higher COGS & gas. 2H09 wheat not available
- Our Thoughts; We raise estimates & PT to reflect greater 08 flo-thru & 09 wheat favorability, with boost partially offset by industry wide cost pressures. While current ~5.5% pricing appears to be having little nt traffic impact, we remain cautious on such aggressive pricing longer-term. In addition, with our expectation for 15%+ LT EPS growth, current 20.5x valuation keeps us neutral.

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PPG Industries (PPG): Growth segments offsetting energy hit

Stock Rating:	1-Overweight
Sector Rating:	1-Positive
Price:	US$ 61.86
Price Target:	US$ 70.00
Current Year EPS:	5.40
Next Year EPS:	5.73
Market Cap:	US$ 9846 (m)

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- At a recent PPG investor meeting in NYC, the focus was on the notable increase in end market and regional diversification, with a greater exposure to coatings, where PPG has a leading market position, and in high growth emerging markets.
- PPG has several large key growth drivers, such as aerospace, protective and marine coatings, opticals and emerging markets, which now represent 40% of company sales (up from 15% in '01) and grew by a strong 15% in 1Q'08.
- While coatings raw material pressures are expected to increase in 2H'08 by 4-6%, PPG expects to recover 75-85% of this inflation with price increases in the near-term. In addition, as the US, which is experiencing the largest cost increase, now represents only 30% of sales in this segment, PPG's global diversification will help reduce the overall inflationary impact.
- We reiterate our 1-OW on PPG, as its transformation to a coatings stock is on track and given its inexpensive valuation compared to peers and by historical measures.

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Real Estate: Erratum: Ears to the ground - Vol 9

Sector Rating:	1-Positive

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- Our trip to Hyderabad and meetings with Prajay Engineers Syndicate (PES IN, not rated) and IVR Prime Urban Developers Ltd (IVRPRIME.NS, not rated) makes us believe that companies which are getting the pricing correct have their projects in demand while those who have priced their projects at the higher-end and beyond have to resort to heavy advertising and marketing spends to reach out to the buyers. At the same time the stock market is painting all companies with the same brush and has brought down valuations of companies to levels where some of them trade below book and land valuations.
- On the hospitality front we learn from our meeting with the management of Taj GVK Hotels and Resorts (TAJGVK.NS, not rated) that majority of the plans to set up hotels remain only that-plans. Only a small part of the announced supply is actually coming up on the ground and that too over the next 3-4 years. This supply should probably be absorbed over time without damaging room rentals.

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Research In Motion (RIMM): Healthy VZ Points to Strong 2H08

Stock Rating:	1-Overweight
Sector Rating:	2-Neutral
Price:	US$ 142.16
Price Target:	US$ 165.00
Current Year EPS:	3.85
Next Year EPS:	5.63
Market Cap:	US$ 79987 (m)

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- A healthy Curve launch and expectations of a strong Bold push in 2H08 lead our estimates and target higher.
- Checks indicate VZ's Curve launch should drive RIM's F1Q net adds to ~2.3M, above its 2.2M guidance. AT&T appears solid following a record F4Q. Sprint could have been stronger given lengthy device shortages.
- Carrier promotions - notably Vodafone - and new device launches - led by Bold - should strengthen RIM's net adds in 2H08.
- Rising unit volumes propel our 2H ests - we model 5.9M units in F2Q. We expect RIM to report a clean channel with ~4.5M unit activations.
- Our FY09/10 ests rise from $3.61/$5.07 to $3.85/$5.63. Our target rises to $165 or 30x FY10 EPS. FY10 EPS of $6 is possible on net adds / units of 3M / 9M per quarter.
- Kvaal Call: RIM's 1Q results & 2Q guidance should build visibility into a very strong 2H08.

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Rohm & Haas (ROH): Cost Increases Lead to Restructuring

Stock Rating:	2-Equal weight
Sector Rating:	1-Positive
Price:	US$ 52.39
Price Target:	US$ 50.00
Current Year EPS:	3.53
Next Year EPS:	4.28
Market Cap:	US$ 10268 (m)

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- ROH announced a headcount reduction and capacity rationalization in response to the increased end-market weakness and recent surge in crude based raw material costs. While we believe these initiatives may help achieve longer-term targets, the near-term headwinds continue to be challenging, in our opinion, pressuring EPS expectations in 2Q and 2H'08.
- ROH's announcement today is driven by its "Vision 2010 goals": Greater focus on higher growth businesses, mainly in emerging markets, and focus on improving returns in lower margin regions and businesses.
- Raw mats continue to be the largest challenge for ROH, with the new, more aggressive round of surcharge-based increases expected to help off-set the increases in 2H'08 (given the lag).
- We have reduced our '08E EPS reflecting the expect 11 c/sh for accelerated dep in 2H'08
- For more info, pls request our June 10 conf call slides and replay info on The Energy Impact on US Chemical Companies, in which we detail our expected impact on ROH.

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TD Ameritrade Holding Corp. (AMTD): May 2008 Performance Analysis

Stock Rating:	1-Overweight
Sector Rating:	2-Neutral
Price:	US$ 18.29
Price Target:	US$ 21.00
Current Year EPS:	1.34
Next Year EPS:	1.50
Market Cap:	US$ 10845 (m)

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- AMTD's monthly metrics for May were solid with a small uptick in trading activity, implied positive inflows and growth in investable and fee-based assets. With just two weeks left in the fiscal 3Q08, the company now expects to see EPS at or near the high end of the guidance range ($0.27 - $0.33, vs. our current estimate of $0.31). We believe this is primarily driven by robust trading activity and growth of client assets.
- DARTs: Up 3.0% to 306k vs. 279k in April, which compares to our f3Q08 estimate of 267k. Broader equity exchange volumes were flat in May while SCHW DARTs were up 3.1%. QTD DARTs of 301k are running 13% ahead of our 267k estimate for fiscal 3Q08.
- ASSETS: $326bn at month end vs. $320bn at the end of April, up 2.1% vs. the S&P500 up 1.1%, and SCHW assets up 2.1%. We believe that this outperformance vs. the market indices implies modest net inflows.
- INVESTABLE ASSETS: Up 1.9% to $31.6bn and slightly below our f3Q08 average est. of $31.7bn.
- FEE-BASED ASSETS: Up 1.0% to $79.2bn, slightly below of our $81n f3Q08 average est.

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The Bank of New York Mellon Corp. (BK): Investor Day: Global Growth Prospects

Stock Rating:	1-Overweight
Sector Rating:	1-Positive
Price:	US$ 41.90
Price Target:	US$ 53.00
Current Year EPS:	2.95
Next Year EPS:	3.30
Market Cap:	US$ 47926 (m)

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- BK hosted its first analyst day post its 7/1 merger with MEL. It revealed healthy growth/margin targets and upped expected merger revenue/expense synergies. We calculate its medium-term expectations at 10-12% rev growth and 100-400bps of pretax margin improvement, up from legacy expectations. Additionally, it's targeting 40% of organic revenues to come from outside the U.S. by 2010 (33% in 1Q). It's also now expecting $325-$425MM of rev synergies by 2011 (vs $250 to $400MM) and $850MM in merger saves (vs. $700MM). We also expect further rationalization of non-core activities/credit capital and believe acquisitions are possible (more so overseas). Still, some near-term headwinds include higher provisioning, further security impairments, a possible leverage lease hit, reduced structured credit activity (corporate trust) and narrower spreads (sec lending). Also, no meaningful update on its $22.5B Russia suit was provided. Bottom-line, while near-term results could be marred by several nicks, we believe its intermediate-term prospects are attractive and merger synergies are meaningful. Still, uncertainties surrounding its on-going Russia suit could continue to weigh. We rate BK 1-OW.

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The Hershey Company (HSY): Revisiting the "Core"-riculum

Stock Rating:	2-Equal weight
Sector Rating:	1-Positive
Price:	US$ 35.15
Price Target:	US$ 34.00
Current Year EPS:	1.85
Next Year EPS:	1.90
Market Cap:	US$ 8047 (m)

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- Yesterday, HSY held an analyst meeting in New York to discuss its longer-term strategy under new CEO Dave West, not to mention one developed under the guise of a largely new Board of Directors and a more involved Hershey Trust.
- With the recent editorial from the head of the Trust having muted takeout speculation around HSY for the time being, yesterday's meeting focused primarily on plans to improve fundamental trends at the company.
- Not surprisingly, given that HSY had expanded into the broader snacking arena during the past several years as well as focused on less incremental innovation (limited editions, et al), the strategy going forward involves coming back to the core -- HSY's most profitable brands, which account for 60% of current sales and represent, in our view, the economic engines of HSY.

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Union Pacific Corp. (UNP): Weather Hits 2Q: Underlying Strong

Stock Rating:	2-Equal weight
Sector Rating:	2-Neutral
Price:	US$ 72.47
Price Target:	US$ 67.50
Current Year EPS:	4.04
Next Year EPS:	4.76
Market Cap:	US$ 37449 (m)

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- We think the valuation of UNP and all rails are stretched at these levels. For that reason, we do not see favorable risk-rewards in the group. For those more comfortable with valuation, however, this "miss" should not be considered material as we think the read-through on underlying fundamentals is positive.
- UNP announced last night that 2Q performance would likely come in at the lower end of the company's range (90-98c) to our 95c and First Call 96c as a function of weather-related problems that impacted operations by 5c.
- Although not mentioned, we believe the 2Q run in energy prices represents an incremental 9-10c headwind from original guidance provided at the beginning of the quarter; given the combination of weather and fuel headwind guidance should have been below previous range.
- For that reason we believe the 2Q guidance is actually suggestive of strong underlying fundamentals after accounting for the weather impact and headwind from the fuel surcharge lag.
- We do expect some modest lingering impact from weather but believe this should do little to change the long-term thesis on UNP.

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