Rintel Sales

US stocks actually stumbled in the early going, to end up in a strong finish. The tech sector was particularly weak amid continued profit taking, which was supported by news that Google (-0.6%) may pull out of China. Renewed support for financial stocks drove the sector from a 0.6% loss to a 1.2% gain. The move was primarily underpinned by banks, up 1.8%. Shares of banks showed no reaction to the testimonies of financial executives about the financial crisis at Capitol Hill. Financials were a primary leader for most of the session, but health care stocks logged the best gain. They advanced 1.3%. Telecom was the only sector that failed to find positive ground. It shed 0.4% amid weakness in integrated telecom stocks, which fell 0.7%. The telecom sector, which boasts a dividend yield in excess of 5.5% at current stock prices, failed to find support amid chatter that current tax rates, including the dividend tax, may be extended.

The Beige book was non event. It stated that economic activity is still low, but improving. It also stated that credit quality is still worsening, though. Stocks may have fully recovered from profit-taking in the previous session, but the lack of trading volume suggests that there wasn't much conviction. Fewer than 1 billion shares traded hands on the NYSE; recent averages stand closer to 1.1 billion shares. Support for stocks led to selling among Treasuries. Treasuries extended their losses after a $21 billion auction of 10-year Notes drew a yield of 3.75% and a bid-to-cover of 3.0, which is well above the 2009 average of 2.6. It pushed the 10 year yield up toward 3.8%

Several key economic reports today and tomorrow will give us a much better idea of how the year finished up, allowing economists to fine-tune their estimates for the Q4 GDP. Many say their estimates are likely too low, which Alcoa 's lower eps and Chevron little warning did contest. The economic calendar is busy, with reports on Retail Sales today, industrial production, inventories and consumer prices tomorrow. For economists, the most important reports are likely to be the retail sales and inventories numbers. Intel tonight after the bell, and JP Morgan before the opening of the US session tomorrow will add to the electrical activity…

December's retail sales figures are likely to show that the all important holiday shopping season wasn't too bad at all. Consumption growth in Q4 as a whole is unlikely to match Q3's 2.8% annualised gain. Further increases in auto and gasoline station sales will have supported overall sales in December. Moreover, the weekly surveys suggest that underlying sales performed well too. The idea being that the consumer is worth 70% of the GDP, and that such a high spending pace can not last for ever with such a high unemployment level. Problem for bear economists being that the Retail Sales resilience is very promising in case of an improvement on the job sector side which will occur sooner or later, and might be sooner rather than later unlike initially forecasted.

Not much new, but a nice and healthy consolidation, which brought a few buying opportunities. The market was overbought, and might still slightly. Alcoa, Chevron, Socgen, Chinese reserve rate hike, IMF team visit in Greece to provide some advice ahead of the February budget presentation triggered the little downside move once the weekly asset allocation was made early morning on Monday. However, a heavy amount of cash is on the starting block to jump into equity business which would be market supportive. Any further macro confirmation would hardly prevent the upside trend to resume.

Busy days ahead (hopefully), with the Retail Sales and Intel as a focus, ahead of tomorrow's important Industrial Production and JP Morgan earnings released before the US opening. The Dow broke its latest highs, the S&P is just below its 1149 one (cash), any brighter outlook confirmation would unlock a heavy amount of cash still sitting aside on fears that the economical pick up was just a blip. On the other hand, not much risk on the downside, as there are not many fully invested fund managers, and a strong wish to catch a downside opportunity for the money which ran out of this business following the "cash is king" recommendation from most big brokers last year

	WTI	€/$	$ / ¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	79,9	1,4544	91,75	3,79	3,30	0,90	0,48	1,22	1,39	0,97	-0,42	0,58	0,97	1,60	0,83	1,12	0,50	US
Perf 1d %	-0,20	0,23	-0,64	-0,38 bp	-1 bp	-0,13	-0,25	0,86	0,91	0,09	-0,54	-0,15	0,30	0,36	0,30	0,17	0,27	Europe

ECONOMIC DATA with impact

ECB meeting (12h45 UK time) / should not announce any changes following last month's outline of its exit strategy / the Bank might increase the interest rate on its three-month loans in the not too distant future or return to auctioning funds off at variable rates, but only if market conditions continue to improve. And either way, it will continue to stress that the economic recovery will be modest, meaning inflation should not be a concern for a very long time / **minor** for today given the heavy news to be released

Retail Sales (13h30 UK time) expected 0.5% from previous 1.3% **// ex autos** 0. 3% from 1.2% / **important** as this data is among the focus. The idea being that the consumer is worth 70% of the GDP, and that a high spending pace can not last for ever in such a high unemployment environment. Problem for bear economists being that the Retail Sales resilience is very promising in case of an improvement on the job sector, which will occur sooner or later, and might be sooner rather than later unlike initially forecasted.

Jobless Claims (13h30 UK time) expected 435k from previous 434k / **minor** as weekly data

Business Inventories (15h UK time) expected 0.3% from previous 0.2% / **minor**

Obama to speak about the possible Tax on the banks

Intel (after the US close)

POSITIVE IMPACTS

RIO TINTO said it **has beaten its FY iron ore guidance,** posting **record output** and sales driven by **strong Chinese demand**

CADBURY : Hershey is preparing a counter-bid to Kraft's hostile offer for Cadbury (FT) / Formal offer seen **within 2 weeks…**

GALP ENERGIA : PetroBras is in talks to **buy a stake in Galp Energia** (Brazilian Mines and Energy Minister)

HEIDELBERGCEMENT : S&P raised its LT corporate credit rating to 'BB-' from 'B+' / Short-term rating 'B' affirmed / Outlook stable

HOLCIM plans to raise its cement production in India to 60m metric tons a year in the next 5 years / No plan to bid for **Cimpor**

SUEDZUCKER : Q3 sales €1.5bn, in line / **Operating €129m** (109m exp) / **Stuck to 2010 operating guidance**

E.ON-RWE-ENBW : Merkel said her government is committed to expanding the lifespan of domestic nuclear power plants (Handelsblatt)

COMMERZBANK's executive-board member said that Commerzbank could just about break even this year (Handelsblatt)

SIEMENS will invite parties bidding for its hearing-aids business to submit a second round of bids by Feb. 22 (Dow Jones)

IBE RENOVABLES reached an agreement with the Eur. Bk for Reconstruction and Dev. to jointly develop wind parks in Eastern Europe

HOME RETAIL sees trading above views / Argos LFL sales +0.1% (+1.5% exp) **but** GM down 250bp (-260 e) / **Homebase** LFL +4% (+2% exp) / Sees FY PTP £20m ahead of views

GDF SUEZ reinforces its cooperation with shell egypt in exploration & production through the sale of 20% stake in Alam El Shawish to Shell Egypt

NEGATIVE IMPACTS

DELHAIZE : Q4 sales €4.87bn (4.95bn exp) / **US sss -2.8%** (-0.9% exp) / **Belgian sales +2.6%** (+3.6% exp) / **Kept 2009 guidance**

RENAULT (Yest.) : The French govt put pressure on Renault to assemble more cars in France + said it wants a bigger voice on the auto maker's board (WSJ) / M. Sarkozy has summoned M. Ghosn to the Elysée Palace later in the week to **explain RNO's strategy** (FT)…

FORTIS : Deminor sued Fortis for misleading investors about its financial position + said it will seek damages formore than 2600 clients

SODEXO said that venezuela currency devaluation will result in **€30m decrease to 2009 operating profit / Keeps 2010 targets**

SULZER reported a 27% drop in **2009 orders to SFR3.02bn** (2.97bn exp) **+** said it **doesn't expects a quick recovery**

POSCO : Q4 sales W 7.29 Trl (7.24 Trl exp) / Operating W1.59 Trl (1.66 Trl exp) / Sees 2010 sales of W29.5Trl, in line…

TO BE NOTED : California's main debt rating was cut by S&P's, which said the state **could nearly run out of cash in March…** / Outlook negative / "The state government's budget gap of nearly $20bn over the next year and a half leaves it in a precarious situation, requiring tax increases or spending cuts, either of which may slow economic recovery" (S&P's)

	RESULTS	DIVIDENDS	EVENTS
Today	EU \\ Cadbury unaudited performance / Carrefour sales (AMC) / Delhaize / HMV trading statement / Home Retail interim / Pernod Ricard trading statement / Premier Oil trading statement / Suedzucker / Sulzer sales US \\ Intel Asia \\ Posco / Rio Tinto production report	Oracle ($0.05)	Mid Cap Chemicals conf at Credit Suisse
Friday	EU \\ Man Group interim US \\ JP Morgan (BMO)	Caterpillar($0.42)	
Monday	EU \\ Casino sales / Soitec		
Tuesday	EU \\ Accor sales / Alstom (BMO) / Gazprom / Land Securities interim / SABMiller trading statement US \\ Amazon.com / Citigroup (BMO) / IBM		
Wednesday	EU \\ ASML (BMO) / BHP Billiton Production / Ingenico US \\ Bank of America / ConocoPhillips / eBay / Morgan Stanley / Starbucks / State Street / US Bancorp / Wells Fargo / Xilinx (AMC) Asia \\ Samsung	Imperial Tobacco (GBp 57,77778) / Pennon (GBp 7,722222) / P&G ($0.44)	Visa AGM

TRADING IDEAS

BUY BMW / NESTLE / ACCOR / BASF / AIR LIQUIDE on double bottom
BUY DEUTSCHE BANK to play island reversal H&S possibility
BUY STM / ASML / ALCATEL ahead of Intel results tonight after US close
SELL SAP / TOTAL / BUY Eurostoxx

BUY AKZO NOBEL / SELL BAYER // BUY CAP / SELL SAP // BUY NOVARTIS / SELL ROCHE // BUY NESTLE / SELL DANONE // BUY AIR PRODUCTS or PRAXAIR / SELL DOW CHEMICAL

BROKER METEOROLOGY

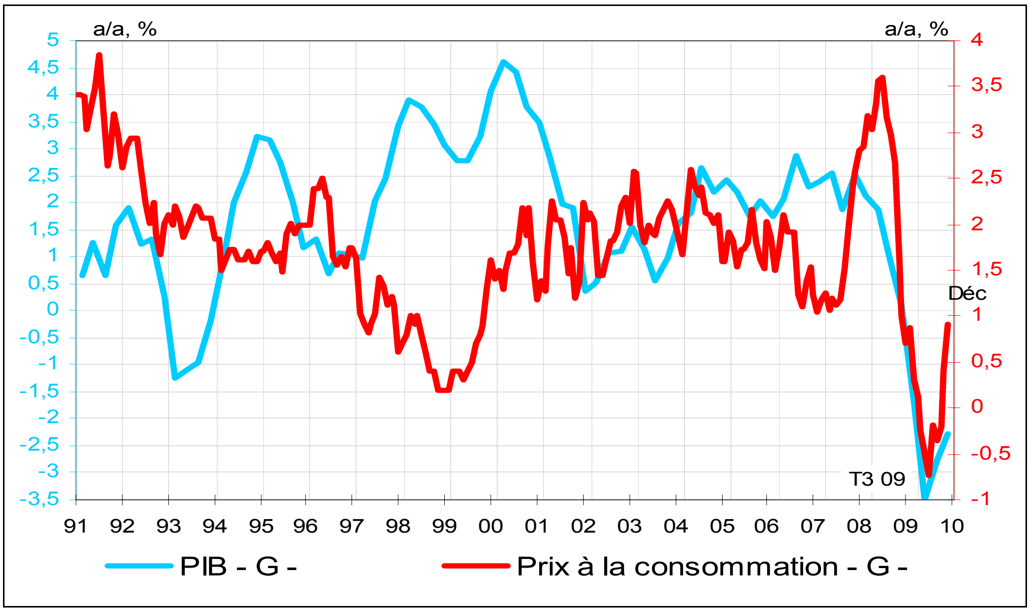
WOLSELEY...................................... RAISED TO OVERWEIGHT FROM EQUALWEIGHT .... BY MORGAN STANLEY

GDF SUEZ.. CUT TO NEUTRAL FROM BUY .... BY BANK OF AMERICA – ML
DEUTSCHE BOERSE .... CUT TO SELL FROM BUY .... BY GOLDMAN SACHS
SWISS LIFE...................................... CUT TO UNDERWEIGHT FROM EQUALWEIGHT .... BY MORGAN STANLEY
SWISS LIFE...................................... CUT TO UNDERWEIGHT FROM EQUALWEIGHT .... BY JP MORGAN
MICHAEL PAGE .... CUT TO UNDERWEIGHT FROM EQUALWEIGHT .... BY MORGAN STANLEY
BUREAU VERITAS .... CUT TO EQUALWEIGHT FROM OVERWEIGHT.................................. BY MORGAN STANLEY

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

CHART OF THE DAY

France GDP (third quarter 09) and Consumer Price Index (%/YoY)
Since 1991



Source: INSEE

After reaching positive territory in November at +0.4% YoY (for the first time since April 2009) France's inflation rise again in December to reach +0.9% YoY the highest level since February 2009. Nevertheless there is nothing to worry about as despite the rise of inflation at the second semester the average rate remained 0.1% in 2009 meaning an historical low. In 2010 inflation should remains under control reaching 1.5% in the average./**JB**

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
23.50 GMT	Japan	Machine orders	november		+0,2%,-10,1% YoY	-4,5%, -21,0% YoY
7.00 GMT	Germany	Consumer price index (final)	december		+0,7%,+0,8% YoY	+0,7%,+0,8% YoY
10.00 GMT	Euro area	Industrial production	november	+ 0,5 %, - 8,5 % YoY	+ 0,5 %, - 8,4 % YoY	-0,6%,-11,0% YoY
12.45 GMT	Euro area	ECB announce rate	january 14th	1,00%	1,00%	1,00%
13.30 GMT	United-States	Retail sales	december	+0,4%	+0,5%	+1,3%
13.30 GMT	United-States	Retail sales less auto	december	+0,3%	+0,3%	+1,2%
13.30 GMT	United-States	Initial jobless claims	january 9th		435 000	434 000
13.30 GMT	United-States	Continuing claims	january 2th		4 750 000	4 802 000
15.00 GMT	United-States	Business inventories	november		+0,3%	+0,2%

Indexes	Price	% 5 Days	Ytd
DJIA	10680,8	1,03%	2,42%
S&P 500	1145,7	0,77%	2,74%
Nasdaq	2307,9	0,30%	1,71%
CAC 40	4000,9	-0,42%	1,64%
DAX	5963,1	-1,18%	0,10%
Eurostoxx 50	2978,4	-1,04%	0,45%
DJ 600	257,0	-0,38%	1,21%
FTSE 100	5473,5	-1,02%	1,12%
Nikkei	10907,7	0,50%	3,43%
Shanghai Comp	3210,3	-2,51%	-2,04%
Sensex (India)	17594,0	-1,08%	0,74%
MICEX (Russia)	1435,0	4,86%	4,74%
Bovespa (Brasil)	70385,5	-0,49%	2,62%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,4533	1,45%	1,40%
EUR/JPY	133,24	0,16%	-0,20%
USD/JPY	91,68	1,61%	-1,59%
Oil	**Price**	**% 5 Days**	**Ytd**
Brent $/b	78,1	-3,56%	1,11%
Gold	**Price**	**% 5 Days**	**Ytd**
Gold $/oz	1140,5	0,82%	4,00%
Rates	**USA**	**Euro**	**Japan**
Central Banks*	0,25	1,00	0,10
Overnight	0,01	0,24	0,10
3 Months	0,04	0,31	0,20
10 Years**	3,78	3,30	1,35

*US: Fed Funds; Jap: Overnight; Euro: Refi

** Euro: German Bund rate   Source : Bloomberg

Economic data Preview

Watch in the **United-States** the retail sales (13.30 GMT) for December. Led by Christmas sales, retail sales should increase by 0.4%. Excluding transport, the rise should reach 0.3%.

Watch in the **Euro area** the ECB announce rate (12.45 GMT) for January. Despite a -4%YoY drop in GDP, and a euro way too high compare to European fundamental economics, the ECB will keep its refi rate unchanged in January at 1%. This decision will be justified in particular by the fragile recovery revealed by the last IFO, INSEE or PMI surveys.

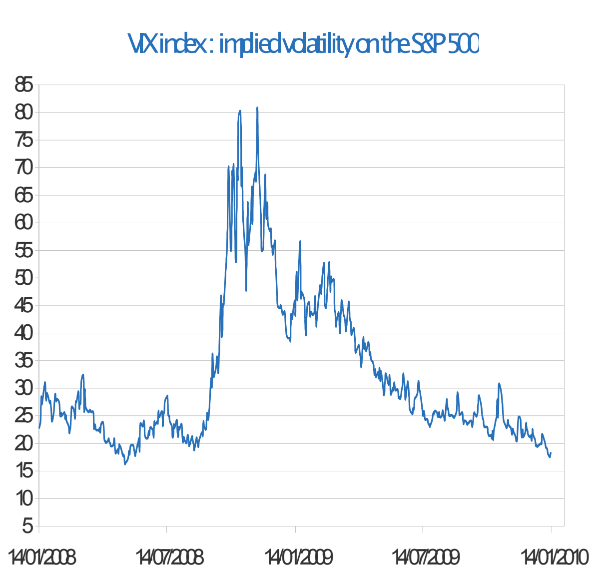
Economy

United-States : Fed Beige book

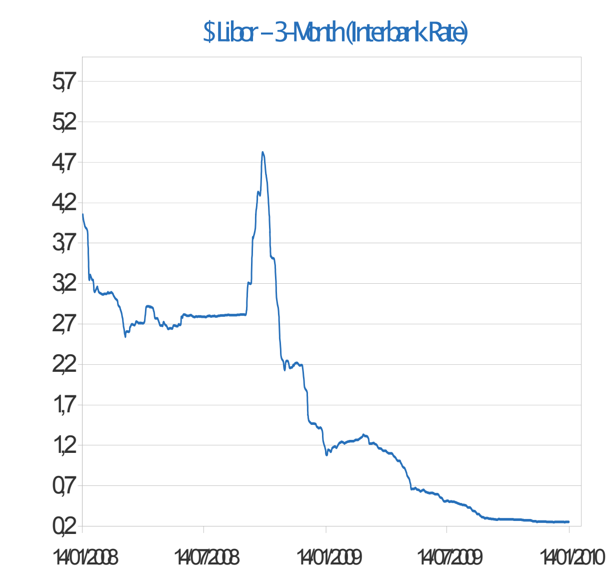
Overall economic activity continued to weaken across almost all the Federal Reserve Districts since the previous reporting period. Most Districts noted reduced or low activity across a wide range of industries, although a few District noted some exceptions in some sectors. Labour market and retail sales remained weak in most of the Districts and reports about commercial construction activity were downbeat as well.

France : Inflation is taking hold in December

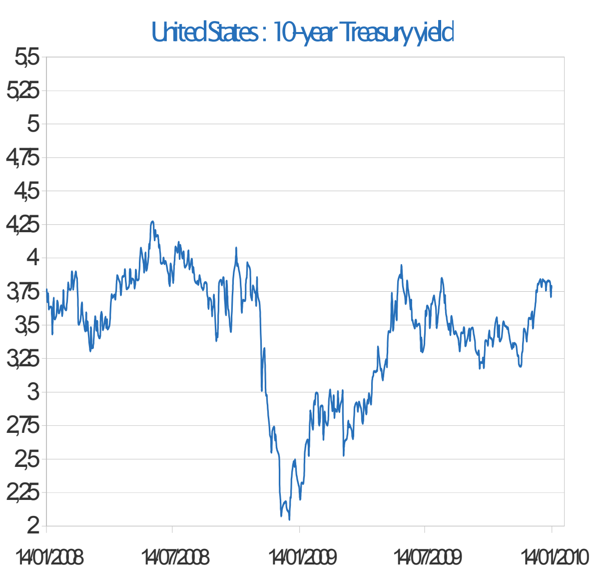
After reaching positive territory in November at +0.4% YoY (for the first time since April 2009) France's inflation rise again in December to reach +0.9% YoY the highest level since February 2009. This increase is the logical consequence of the rise of energy prices during this last months as they were in a negative trend a year ago. As a consequence and mechanically prices rose from a lowest in July 2008 at -0.7% YoY to +0.9% YoY in December. Nevertheless there is nothing to worry about as despite the rise of inflation at the second semester the average rate remained 0.1% in 2009 meaning an historical low. In 2010 inflation should remains under control reaching 1.5% in the average.



Source : Bloomberg



Source : Bloomberg



Source : Bloomberg

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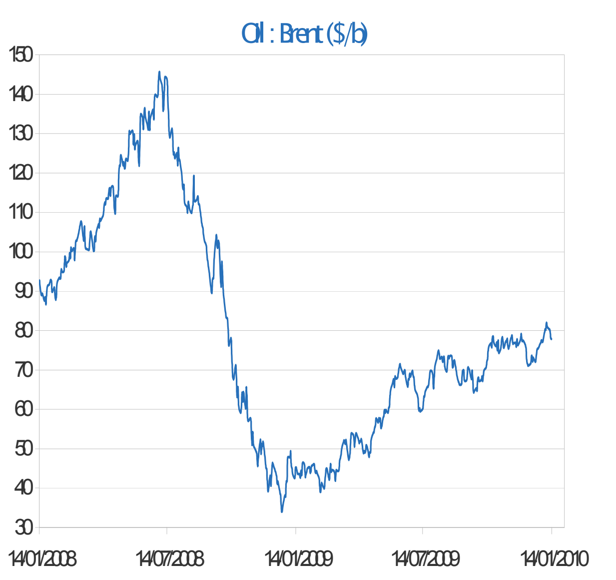
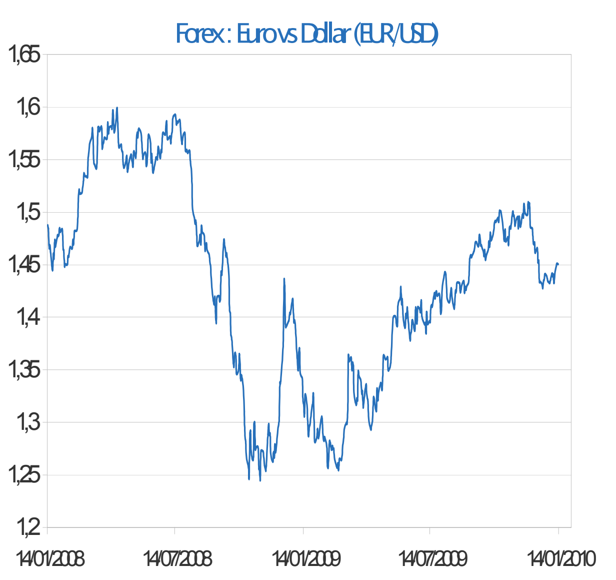


Source : Bloomberg



Source : Bloomberg