18 JANV. 10

I' VE BEEN TO THE MOUNTAINTOP

"I've Been to the Mountaintop" said Martin Luther King in a prophetic speech…nice news flow last week with Alcoa & Intel which reflected a growing business activity with some higher than expected sales showing the economic recovery entered a new phase which will lead to some job creation numbers rather sooner than later. Firms are growing, business working hours are increasing, we are no longer in the deflation spiral from last year which followed the Lehman bankruptcy. We could easily say that JP Morgan's slightly lower sales are less important in term of bottom-up read across so much the banks rebounded thanks to huge profits which surprised everyone earlier this year. The Q4 GDP will be strong, which most macro and micro data are telling us so far. And the move from Friday should be seen as the 3ed leg of a very welcome consolidation which offers some attractive buying opportunities. Option expiries in a low volume trading activity ahead of the long US weekend is probably the biggest reason why we retraced so much on Friday. Big rises in share prices are typical both before, and during the early stages of an economic recovery. Gains in the second six months of an expansion have tended to be more slim. But this is gains still, and might not be as slim so much there are doubtful minds regarding the positive issue from the crisis we are getting out from. A lot of cash not yet invested in addition to an election year for the UK as well as Obama in November from the Senate will bring more safety to the current recovery. Time is a great healer, and next July it will be three years since the market collapsed from its top with the sub prime troubles and its spill over possibility as a focus

Yes the macro data were not great, but there were not bad and certainly not as the equity indices drop would be reflecting. One point about this year it is that the doubts will remain, since both the employment report and the Retail Sales showed that November was great but December was disappointing. Hopefully the strong ISM survey reminded that the manufacturing sector was still getting better. The January macro data will bring a bit of stress once the fantastic news flow from corporate is passed when released in February. The industrial Production was OK too, but the Michigan index provided fresh news about January and came out slightly lower than expected. However, it remained stuck on decent levels, and reminded that things are not easy to bring back to normal. Same as in the last two quarters last year we will see some better months than others, and the economic recovery is happening sideways on a monthly basis, but really happening which the earnings releases out this week will remind you as well as the Q4 GDP out next week.

The marginal increase in the US University of Michigan measure of consumer confidence, from 72.5 in December to 72.8 in January, was encouraging but not a done deal in term of strong recovery yet. All the increase in confidence was due to a gain in the present conditions index, from 78.0 to 81.0. This suggests that the continued improvement in labour market conditions has more than offset the latest increase in gasoline prices. Meanwhile, the forward-looking expectations index fell back, from 68.9 to 67.5. This index is interesting as it provides some information on consumers' spending intentions. At face value, it is consistent with annual consumption growth of just 1%. That leaves us with still the same old story of the employment focus : a higher employment sector is required to get a V shape recovery which remain possible at this stage given the latest improvement (not much would have bet on a job creation data as soon as November when trading on lows in March ...).

Interesting macro calendar this week with, in the US, the NAHB Housing index tomorrow, the PPI, Housing starts and Building permits on Wednesday, Jobless Claims on Thursday and leading indicators on Friday. But this week's data releases are unlikely to have much bearing on the Fed's thinking when it meets on 27th January. So we should also keep an eye on the Q4 Chinese GDP which could well be stronger than the 10,5% expectations from analysts on Thursday, and tomorrow's German Zew index which should remain strong

However, the focus might more be the micro news with the heavy earnings calendar from corporate, which will provide us some better idea about the Q4 GDP speed through the bottom up view. IBM & Citigroup on Tuesday, Bank of America, Morgan Stanley, Wells Fargo, Xilinx on Wednesday and Amex, Goldman and Google on Thursday and GE on Friday. Theses results should show that Q4 was stronger than expected, same as Q2 & Q3, with still some improvement in the pipe which Intel and Alcoa growing sales were picturing, predicting a friendly 2010 year full of scary moments and doubts that the equity indices rise is being followed by the increase in basics. So far the front running from equity indices ahead of the economy proved to be justified, and should remain so for a while. The Quantitative easy policies will somehow remain, in both politics and economical inter**ests.**

Take opportunity from the drop to do shopping, the newsflow this week should be too good

	WTI	€/$	$ / ¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	77,7	1,4373	90,88	3,67	3,26	-1,06	-0,83	-1,75	-0,54	-1,33	-1,47	-1,30	-0,62	-3,44	-1,08	-1,24	-0,94	US
Perf 1d %	-1,72	-0,10	-0,01	0,01 bp	-3,6 bp	-1,15	-1,36	-1,55	-0,86	-0,99	-1,32	-1,29	-1,39	-2,87	-1,12	-1,12	-1,02	Europe

ECONOMIC DATA with impact

US markets are closed today on account of **Martin Luther King's day**

POSITIVE IMPACTS

RICHEMONT : Q3 sales SFR 1.59bn (1.48bn exp) / Q3 sales rose 7% LFL (-2% exp) **/** US rebounded + Strong Asia

KBC : Societe Generale + Credit Agricole + Barclays + HSBC + DBK + Credit Suisse + EFG + Julius Baer are all interested in KBL European Private Bankers put up for sale by KBC / **The sale could fetch up to €1.5bn** (La Tribune)

SOCIETE GEN. is considering a **complete exit of the Australian banking market** / **Separately**, the press reported over the WE, talks from analysts saying that Credit Agricole & Soc. Gen. could strike more partnerships and JVs although a full merger remains unlikely…

HSBC is among 3 bidders for a **47% stake worth $850m** in Thailand's Siam City Bank

ARCELORMITTAL & Indian NMDC are in talks about a **possible JV** (DNA Money)

PRO7's majority owners KKR and Permira agreed to provide between €**120m and €140m in additional funding** to the Co (Der Spiegel)

RENAULT's CEO said that there is **no discussion** with the govt about the state **increasing its 15% stake** / Sarkozy met Ghosn Saturday but failed to win pledges from M. Ghosn to centre production of the new Clio IV at a factory in France rather than in Turkey…

EADS & countries involved in a contract dispute over **A400M** are expected to **meet in Berlin later this week** (Handelsblatt)

UNITED UTILITIES is expected to implement **major cost cuts** which could reduce its workforce by 10% to 20% (the Sunday Telegraph)

TOTAL : A consortium led by Total + Sonatrach will **invest between $1.5 and $2 bn in Algeria's Ahnet** gas permit by 2014

ENI is in talks to **buy the Austrian subsidiary of Exxon** Mobil (Il Messaggero) / The price could range from **€150m to €200m / Separately, TULLOW OIL** exercised a right to buy Ugandan oil fields from Eni, potentially derailing Eni's ambition to expand in Africa

SWISS RE announced closing of US individual life **retrocession transaction with Berkshire Hathaway** + will receive a ceding commission of **around CHF1.3bn**

CADBURY : Investor William Ackman's Pershing Square Capital Management LP has **bought a 2% stake in Kraft Foods** and has come out in support of Kraft's attempted takeover of Cadbury (CNBC) / Ackman, however, wants Kraft to minimize the amount of stock it uses in the buyout / **Kraft has until Tomorrow** to increase its hostile offer for Cadbury…

DAIMLER-BMW said they were still talking about **possible cooperation**, dismissing a report by Der Spiegel saying the talks had ended

NEGATIVE IMPACTS

GDF-SUEZ (Rumoured on Friday) is in **takeover talks with International Power** + has appointed several banks to work on a cash-and-share bid (Sunday Times)

AXA plans to take a **significant stake in Rusal**, the world's biggest aluminium producer (La Tribune)

GLOBAL EQUITIES **18 JANV. 10**

I' VE BEEN TO THE MOUNTAINTOP

DEUTSCHE POST : TNT will sue Deutsche Post on competition grounds, arguing that D. Post would create a low cost competitor with its First Mail unit
ACCOR plans to keep its upmarket Sofitel hotels at the heart of the grp & does not plan to sell its struggling Motel6 in the US (CEO)
CASINO : President Hugo Chavez on Sunday **nationalized a chain of supermarkets controlled by Casino** …

	RESULTS	DIVIDENDS	EVENTS
Today	**EU ** Casino sales / Richemont / 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
Thursday	**EU ** Ahold / Bankinter / Continental Airlines / Logitech / United Utilites **US ** AMD / American Express / Goldman Sachs / Google / Union Pacific / Xerox **Asia ** OZ Minerals	Colgate ($0.44)	ThyssenKrupp AGM
Friday	**EU ** Bankinter / Sony Ericsson / **US ** Air Products & Chemicals / General Electric (BMO) / Mc Do / Merck / Schlumberger (BMO)	ThyssenKrupp (GBp 0.3)	

TRADING IDEAS

BUY EON / BNP / DBK / MUNICH RE / CREDIT SUISSE / AEGON hammered on Friday **& BUY ST GOBAIN** looking good
BUY BMW / NESTLE / ACCOR on double bottom
BUY STM / ASML / ALCATEL to play bullish trend + gap closed on Soxx index
SELL PHILIPS to play tripple top possibility & **SELL BP / MICHELIN** toppish still

BUY GLAXO / SELL ASTRAZENECA // BUY ST GOBAIN / SELL LAFARGE // BUY ROYAL DUTCH / SELL BP // BUY SALZGITTER / SELL THYSSEN // BUY NESTLE / SELL DANONE

BROKER METEOROLOGY

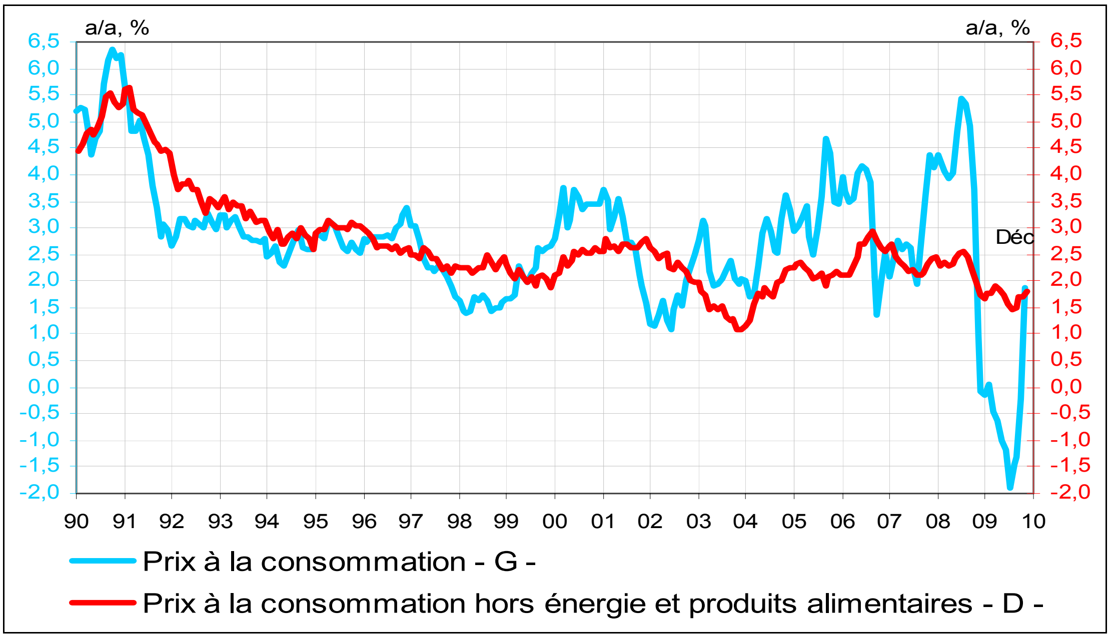
L'OREAL .... RAISED TO BUY FROM HOLD .... BY DEUTSCHE BANK
BHP BILITON .... ADDED TO MOST PREFERRED LIST .... BY CITIGROUP
CONTINENTAL .... RAISED TO OUTPERFORM FROM NEUTRAL .... BY CREDIT SUISSE
DEUTSCHE POST .... RAISED TO EQUALWEIGHT FROM UNDERWEIGHT .... BY MORGAN STANLEY
SULZER......... RAISED TO BUY FROM NEUTRAL ....BY UBS
TELENOR......... RAISED TO CONVICTION BUY FROM NEUTRAL......... BY GOLDMAN SACHS
HOME RETAIL .... RAISED TO BUY FROM SELL ....BY ING
ANGLO PLATINIUM .... RAISED TO BUY......... BY BANK OF AMERICA – ML
ZODIAC .... RAISED TO BUY FROM UNDERPERFORM......... BY BANK OF AMERICA – ML

BNP PARIBAS .... CUT TO HOLD FROM BUY ....BY SOCIETE GENERALE
SANOFI – AVENTIS......... CUT TO NEUTRAL FROM BUY ....BY BANK OF AMERICA - ML
ALCATEL – LUCENT......... CUT TO SELL FROM HOLD.........BY UNICREDIT
PEUGEOT .... CUT TO MARKETPERFORM FORM OUTPERFORM ....BY BERNSTEIN
MERCK KGAA .... CUT TO UNDERPERFORM FROM NEUTRAL .... BY BANK OF AMERICA – ML
CAP GEMINNI .... CUT TO HOLD FROM BUY ....BY UNICREDIT
THALES......... CUT TO UNDERP FROM NEUTRAL......... BY BANK OF AMERICA – ML
BAE SYSTEMS .... CUT TO NEUTRAL FROM BUY .... BY BANK OF AMERICA – ML
VODAFONE......... CUT TO NEUTRAL FROM BUY .... BY GOLDMAN SACHS
EUROPEAN GOOD SECTOR......... CUT TO NEUTRAL .... BY NOMURA

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

CHART OF THE DAY

US consumer prices index (G) and core index (D) (percent/YoY)
Since 1990



Source: BLS and Datastream

The base effect trend is lasting as a logical consequence of the drop of energy prices at the second half of 2008. In such conditions despite a slight rise of consumer prices in December (precisely 0.1%) US inflation reached 2.7%YoY. The core index remains under control and reached 1.8% YoY in December meaning widely below the Fed target at 2.5%./**JB**

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
0.01 GMT	United Kingdom	Rightmove house prices index	January			- 2,2%,+1,7% YoY
4.30 GMT	Japan	Industrial production (final)	November			+2,6%,-3,9%YoY
4.30 GMT	Japan	Capacity utilization (final)	November			0,2%

Indexes	Price	% 5 Days	Ytd
DJIA	10609,7	-0,05%	1,74%
S&P 500	1136,0	-0,77%	1,88%
Nasdaq	2288,0	-1,25%	0,83%
CAC 40	3954,4	-2,24%	0,46%
DAX	5876,0	-2,68%	-1,37%
Eurostoxx 50	2940,3	-2,57%	-0,83%
DJ 600	256,4	-1,04%	1,00%
FTSE 100	5455,4	-1,42%	0,79%
Nikkei	10855,1	2,81%	2,93%
Shanghai Comp	3233,5	0,88%	-1,33%
Sensex (India)	17706,8	0,08%	1,39%
MICEX (Russia)	1452,7	6,03%	6,03%
Bovespa (Brasil)	68978,3	-1,83%	0,57%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,4392	-0,84%	0,39%
EUR/JPY	130,81	2,08%	-2,03%
USD/JPY	90,89	1,21%	-2,41%
Oil	**Price**	**% 5 Days**	**Ytd**
Brent $/b	76,2	-4,77%	-1,37%
Gold	**Price**	**% 5 Days**	**Ytd**
Gold $/oz	1136,3	-1,38%	3,56%
Rates	**USA**	**Euro**	**Japan**
Central Banks*	0,25	1,00	0,10
Overnight	0,04	0,24	0,10
3 Months	0,05	0,28	0,20
10 Years**	3,67	3,26	1,33

*US: Fed Funds; Jap: Overnight; Euro: Refi
** Euro: German Bund rate   Source : Bloomberg

Economic data Preview

No major economic data released.

Economy

United-States : Sharp rise of inflation in December

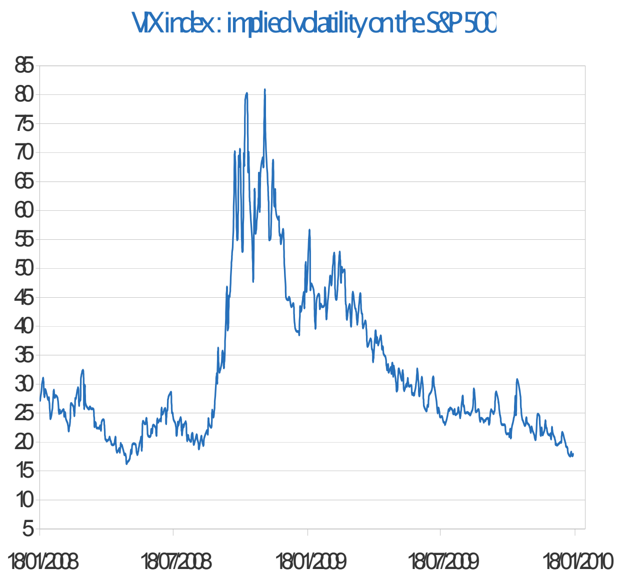
After increasing by 0.3% in October, consumer price index rose by 0.4% in November to 1.8%YoY ending eight consecutive months of deflation in the US. However, this return of inflation is only a logical consequence of the drop in prices in November 2008 (precisely -1.7%). This base effect trend last as a logical consequence of the drop of energy prices at the second half of 2008. In such conditions despite a slight rise of consumer prices in December (precisely 0.1%) inflation reached 2.7%YoY. The core index remains under control and reached 1.8% YoY in December meaning widely below the Fed target at 2.5%.

United-States : Industrial production remains consistent in December

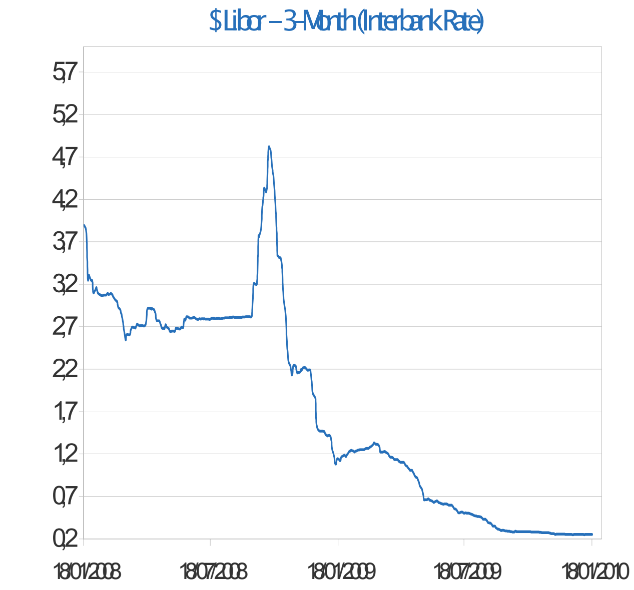
After rising by 0.2% in October and by 0.6% in November, industrial production was up by 0.6% in December. On the 4^{th} quarter at a hole industrial production reached 1.7%, meaning 6.8% annualized. Even if the GDP growth trend will be different from the industrial production trend , it seems that the GDP growth at the 4^{th} quarter will be significant. Meanwhile capacity utilization rising from 71.5% to 72.0% are showing that the re-investment is well taking place in the United-States.

Euro area : Inflation is taking hold in December

After an increase of 0.2% in October, consumer price index was up by 0.1% in November to 0.5%YoY, ending six consecutive months of deflation in the euro zone. Nothing to worry about as the return of inflation in November is due to a logical correction of the price drop of the year ago. In December, consumer prices increased by 0.3% led by energy prices and commodities. As a logical consequence of the rise in energy prices during the last six months and as the trend was down a year ago, inflations reached 0.9%YoY in December. Nevertheless inflation should stabilized around 1.3%YoY from January to August 2010 and will most likely end 2010 around 1.9%YoY. Meaning an average level of 1.5% in 2010.**/JB**



Source : Bloomberg



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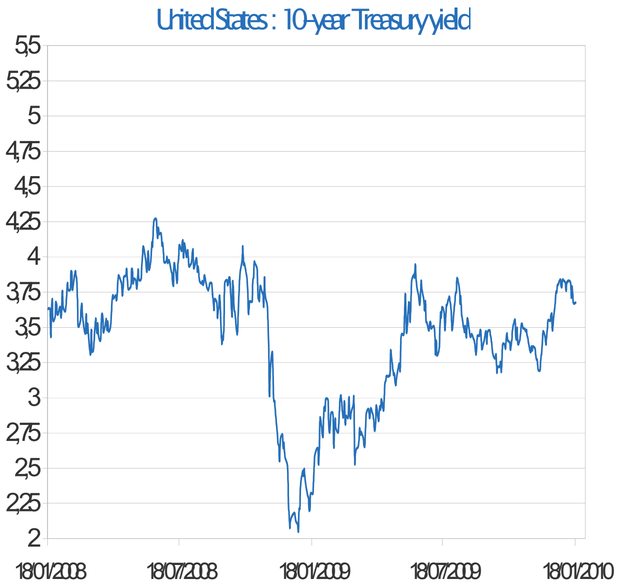

Source : Bloomberg

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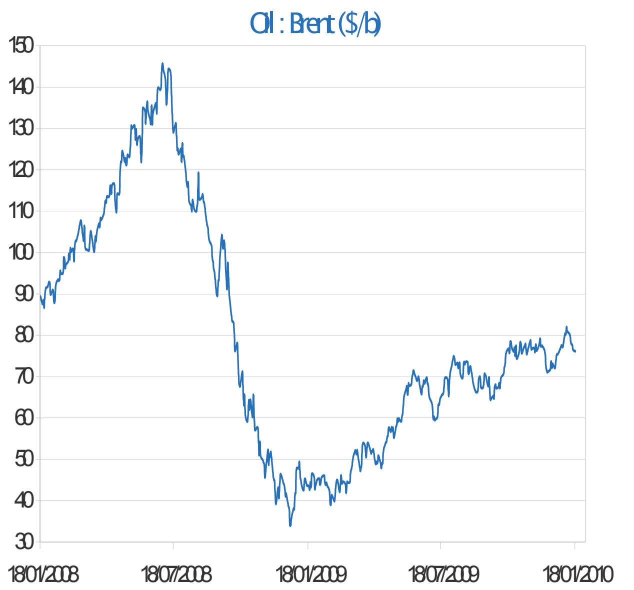

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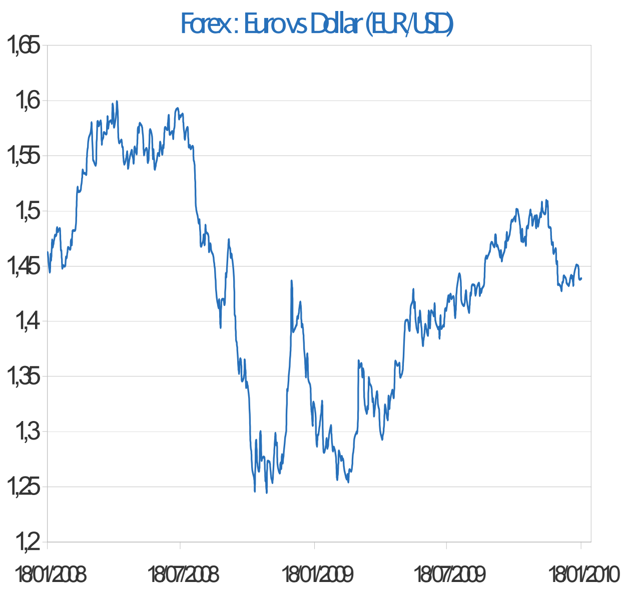

Source : Bloomberg