



It's the start of two peak weeks of earnings. Five members of the Dow Jones Industrial and 57 components of the S&P 500 report quarterly results during the week and by the end of it, investors should have a far better read of whether companies are able to deliver expectations built into the steep rebound in stock prices since early March. As they have for the last few quarters, investors are focused on whether companies are increasing sales, not just raising profits by cutting costs. "The market is probably counting on at least some earnings leverage to become evident," said a chief strategist. "Some sign of increasing revenues will likely be crucial," such as what we saw through both Alcoa and Intel's earnings. In general, earnings are expected to show a fantastic recovery from the hard-hit fourth-quarter of 2008. That's particularly true for banks. Analysts expected S&P 500 earnings rebounded 186% in the December quarter from the year-earlier period. Any growth would mark the first earnings expansion for the index of large U.S. companies since the second quarter of 2007. The financial sector's return to profit, after a year-ago loss, accounts for much of the triple-digit estimate for S&P 500 earnings growth. Because financials have such a heavy weighting in the index, accounting for about 14% of the S&P 500's market value, stock investors are particularly sensitive to their performance. "A powerful recovery is built into expectations," said another strategist. Plus, economists want to hear banks are lending more and curtailing bad loans as affirmation the economy is on firm ground.

Some will tell you the market reaction last week following Intel's earnings was just a sign that it is for now. We obviously disagree, and would add that we did not only have Intel, but a bunch of important data requiring some cautious stance for the economic outcome such as the Durable Orders and the Michigan Index which came lower than analysts expectations without being bad in absolute terms. Just that investors are still nervous, and have clearly in mind the last few starts of years which turned to be bad after a few weeks of positive trading levels. The more investors are cautious, the most chance we have to see a nice and gradual up-trend this year with a nice bull market back in place for a lasting time. More than the few macro data we attended, it is important to take into strong consideration the fantastic Intel earnings, which provided some bigger sales and margins, and upgraded its sales forecasts. Intel, as well as the overall chip sector is a very efficient leading indicator of the economic activity.

Once again, the focus will be 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 today, but also tomorrow Bank of America, Morgan Stanley, Wells Fargo, Xilinx and on Thursday Amex, Goldman and Google, ending with GE on Friday. These 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 interests.

Busy day ahead, with some nice upside potential

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close	
Last	78,2	1,4394	90,48	3,67	3,25	-	-	-	-	-	-	-	-	-	-	-	-	-	US
Perf 1d %	0,65	0,07	0,27	-0,78 bp	-1,4 bp	-	-	-	-	-	-	-	-	-	-	-	-	-	Europe

ECONOMIC DATA with impact

ZEW index (10hUK time) expected 50 from 50,4 / should remain on high level / **minor**

Citigroup before the US open

NAHB Housing index (18h UK time) expected 17 from 16 / at just 16 in December, the forward- looking NAHB index suggests that homebuilding will remain subdued in the coming months too. This index may nudge up to 17 in January, but that would not be anything to get excited about. That said, the surge in demand from the recently extended and expanded tax credit may prompt some increase in the building of smaller homes that are in relatively short supply / **minor** for today, focus earnings

IBM after the US close

POSITIVE IMPACTS

CADBURY and **Kraft** are in **friendly negotiations** on a new deal which would value Cadbury shares at between 840p & 850p each (FT)
INFINEON said that it has received a counternomination from Hermes, the U.K. pension fund which holds less than a 3% stake in the company, for a new supervisory board head nomination / Infineon will hold its annual shareholders meeting Feb. 11

RICHEMONT is negotiating to take a stake in German eyeglass maker Rodenstock (FTD) / Rodenstock's debt amounts to around €370m and weighs heavily on the company

CARREFOUR has **agreed with Pantaloon Retail** to set up franchisee stores in India after some 6 years of looking for possible for partnerships (Economic Times)

TELEFONICA is interested in buying a **controlling stake** in Colombian state-owned company Empresa de Telecomunicaciones de Bogota (CEO of the Colombia unit) / But he declined to say how much he thought ETB was worth...

VINCI said a consortium with Morgan Est had won a **£476m contract** for the Lee Tunnel from Thames Water

SKANSKA denied rumours yesterday that it would issue a profit warning and shut its Latin American business unit

NEGATIVE IMPACTS

EDF's Evolutionary Power Reactor at Flamanville, scheduled to start in 2012, is facing construction delays of at least 2 years (Le Figaro)

ALSTOM : **Q3 sales €4.7bn** (€4.85bn exp) / **Q3 orders €4.2bn** (€4.6bn exp) / **Confirmed FY operating margin** of around 9% (10-11% for the Power Sector & 7- 8% for Transport) / Said that " timing for future bookings remains uncertain" /

THYSSENKRUPP's new Brazilian steel plant will cost about €6 bn, compared with an original investment budget of €4.7bn (Handelsblatt)

REPSOL is studying whether to reduce its proven oil & gas reserves by 90m boe due to Bolivian regulation & stricter criteria being applied by the SEC (Expansion) / The cut would represent **4% of Repsol's proven oil reserves** of 2.2bn BOE reported end 2008

CASINO : **Q4 sales €7.32bn**, in line thanks to South America / **However**, sales in France suffered from consumer weakness and deflationary pressures = French hypermarkets sales ex-petrol **down 6%** in the Q4 / **Leader Price -1%** / **Confirmed FY09 Ebit**

STEELMAKERS : China's banking regulator has warned banks to pay attention to the credit risks of loans to steel companies due to rising concerns about overcapacity

	RESULTS	DIVIDENDS	EVENTS
Today	EU Accor sales / 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 Utilities US AMD / American Express / Goldman Sachs / Google / Union Pacific / Xerox	Colgate (\$0.44)	ThyssenKrupp AGM



	Australia \ OZ Minerals		
Friday	EU \ Bankinter / Sony Ericsson /		
	US \ Air Products & Chemicals / General Electric (BMO) / Mc Do / Merck / Schlumberger (BMO)	ThyssenKrupp (GBp 0.3)	
Monday	EU \ Fiat / Philips		
	US \ Amgen / Apple /		

TRADING IDEAS

BUY EON / ST GOBAIN / DPW / IBERDROLA / AXA / BNP / CREDIT SUISSE / AEGON looking good

BUY DBK / BMW / NESTLE on double bottom & BAYER on reversal Head & Shoulder possibility

SELL PHILIPS to play tripple top possibility & SELL BP / MICHELIN toppish still

BUY TOTAL / SELL VALLOUREC // BUY BRITISH AMERICAN TOBACCO / SELL IMPERIAL TOBACCO // BUY GLAXO / SELL ASTRAZENECA //

BUY ST GOBAIN / SELL LAFARGE // BUY ROYAL DUTCH / SELL BP // BUY SALZGITTER / SELL THYSSEN

BROKER METEOROLOGY

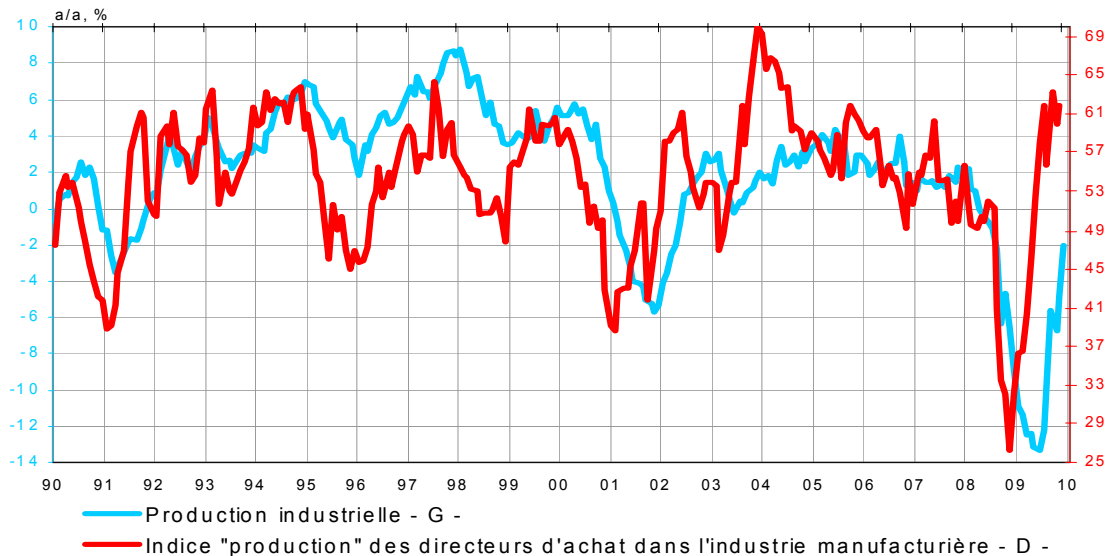
VALEO	RAISED TO NEUTRAL FROM REDUCE	BY NOMURA
BMW	RAISED TO BUY FROM NEUTRAL	BY NOMURA
PEUGEOT	RAISED TO BUY FROM NEUTRAL	BY NOMURA
SALZGITTER	RAISED TO BUY	BY DEUTSCHE BANK
ENAGAS	RATED NEW OVERWEIGHT	BY HSBC
THYSSENKRUPP	RAISED TO BUY FROM HOLD	BY DEUTSCHE BANK
EUROPEAN UTILITIES	RAISED TO NEUTRAL FROM UNDERWEIGHT	BY DEUTSCHE BANK
AB FOOD	RAISED TO OVERWEIGHT FROM UNDERWEIGHT	BY MORGAN STANLEY
SHIRE	RAISED TO BUY FROM HOLD	BY JEFFERIES
CREDIT AGRICOLE	RAISED TO BUY	BY RBS
ATLAS COPCO	RAISED TO BUY	BY RBS
ASSOCIATED BRITISH FOOD	RAISED TO OVERWEIGHT FROM UNDERWEIGHT	BY MORGAN STANLEY

RENAULT	CUT TO NEUTRAL FROM BUY	BY NOMURA
DAIMLER	CUT TO NEUTRAL FROM BUY	BY NOMURA
LANXESS	CUT TO SELL FROM NEUTRAL	BY UBS
HOME RETAIL	CUT TO NEUTRAL	BY HSBC
BHP BILLITON	CUT TO HOLD FORM BUY	BY ING
BNP PARIBAS	CUT TO HOLD FROM BUY	BY RBS
SOCIETE GENERALE	CUT TO SELL	BY RBS
NATIXIS	CUT TO SELL	BY RBS
SANDVIK	CUT TO HOLD FROM BUY	BY RBS
NOVO NORDISK	CUT TO SELL FROM HOLD	BY RBS

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

CHART OF THE DAY

US Industrial production (G) (percent/YoY) and ISM manufacturing "production" index (D) Since 1990



Source: BEA datastream

If US industrial production rose by 0.6% in December, the YoY index remains in negative territory at -2.0%. Nevertheless this index is improving and the ISM manufacturing "production" index confirms that US production rebound will continue. In such condition the GDP could reach 4% at the fourth quarter 2009./JB

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
9.30 GMT	United Kingdom	Consumer price index	December		+0,3%,+2,6% YoY	+0,3%,+1,9% YoY
9.30 GMT	United Kingdom	Consumer price index core (ex food and energy)	December		+2,3% YoY	+1,9% YoY
10.00 GMT	Germany	ZEW survey (economic sentiment)	January	50	50	50,4
10.00 GMT	Germany	ZEW survey (current situation)	January		-56,2	-60,6
10.00 GMT	Euro area	Construction output	November			-0,6%,-7,7% YoY
10.00 GMT	Euro area	ZEW survey (economic sentiment)	January		48,0	48,0
18.00 GMT	United-States	NAHB housing market index	January		17	16
22.00 GMT	United-States	ABC consumer confidence	January 17th		-42	-47

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	3977,5	-1,62%	1,05%
DAX	5918,6	-2,02%	-0,65%
Eurostoxx 50	2957,9	-1,74%	-0,24%
DJ 600	258,2	-0,23%	1,70%
FTSE 100	5494,4	-0,78%	1,51%
Nikkei	10764,9	0,53%	2,07%
Shanghai Comp	3255,6	0,76%	-0,66%
Sensex (India)	17615,7	0,65%	0,86%
MICEX (Russia)	1479,5	2,41%	7,99%
Bovespa (Brasil)	69400,9	-1,47%	1,19%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,4398	-0,76%	0,46%
EUR/JPY	130,26	1,17%	-2,53%
USD/JPY	90,47	0,41%	-2,99%
Oil	Price	% 5 Days	Ytd
Brent \$/b	75,9	-2,82%	-1,65%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1137,1	0,77%	3,67%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,10
Overnight	0,04	0,73	0,10
3 Months	0,06	0,28	0,20
10 Years**	3,66	3,25	1,34

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

** Euro: German Bund rate Source : Bloomberg

ECONOMIC DATA PREVIEW

Keep an eye in **THE UNITED-STATES** on the NAHB housing market index for January expected to improve from 16 to 17 confirming the progressive recovery of the housing market as showed by the latest housing starts and building permits data.

Watch in **GERMANY** the ZEW survey (economic sentiment) for January. After declining in October and in November the ZEW index decreased again in December at 50.4. After decreasing for three consecutive months we forecast a stabilization of the ZEW index at 50 in January.

ECONOMY

NO MAJOR ECONOMIC DATA RELEASED

