



**Earnings releases went rather well so far.** Especially as we are counting on them in term of bottom up view to provide us clues regarding the economic pace ahead of the important Q4 GDP out next week on Friday, as well as about the current year coming through the guidance we get. As such, Alcoa, Intel and IBM sales were telling us that the economy pace is not only strong, but the volumes are increasing. We get some nice marks from the corporate which is useful in confirming that the latest equity indices rise was worth it and not a fake front running. Unfortunately for our business this is not good news short term, as it validates the volatility decrease, but it is a very good news midterm as it will keep on bring back the business in equity, and more widely should comfort the economical pick up which will lead to some job creation and a happier time for everyone. Yes, taxes might increase, but same as pay outs for sales guys or proprietary traders, it is better to pay a high tax of a big income rather than zero tax of nothing... Higher tax is obviously no good news, but the exit from crisis, as well as the guarantee that the Great Depression has been avoided once and for all deserves still some premium.

**The next big events will be General Electric on Friday,** very much the reflect of the overall economy, the GDP next Friday, and then the big one that could pull the cork out: the employment report on Friday February 5th. Or more exactly, earlier that same week we will read through the ISM manufacturing job component, as well as the ADP employment changes to try and see whether the -85k job destruction was just a one off after such a fantastic 4k job creation in November, or a sign that the economy was getting weak again, weighting on our hopes that the US stimulus once fading will find a strength through a rebounding job sector which will support consumption even more as the wealth effect has improved thanks to the housing and equity indices better levels. To be clear, we can not find a reason to say the equity have done a jump start, the employment report could be a boost to head toward new highs, and if not we will be bull in a boring and gradual upside move until we see a reason t not to be bull anymore. A few bad earnings would not be enough; a long and lasting job sector worsening might be one.

**China was the focus this morning with Q4 GDP up 10.7 % YoY (the quickest pace since 2007) vs. 10.5 % expected by the consensus, which confirms the strength of the recovery.** GDP Growth in 2009 marked à 8.7 % increase vs. 8.5 % expected. Retail sales surged in December (+17.5 % YoY vs. +16.3 % expected) and industrial production rose (+18.5 % YoY vs; +19.6 % expected), but there are some concerns about inflation (CPI up 1.9 % YoY in December vs. +0.6 % a month earlier, PPI up +1.7 % YoY vs. -2.1 %) and about policy tightening. China's reaction to the negative shocks following the September 2008 collapse of Lehman Brothers was the largest and most rapid among all major economies. By November, the Chinese had announced a huge fiscal stimulus claimed to be equal to 14 percent of Chinese gross domestic product (GDP), to be applied over a period of about two years with substantial frontloading. In the United States, 14 percent of GDP would be equivalent to a \$2 trillion stimulus or about triple the size of the substantial U.S. stimulus plan announced early in 2009. Beyond that, China's centrally planned policy apparatus implemented the stimulus considerably more rapidly than governments in other market economies carried out theirs. China's policymakers accompanied the surge of stimulative fiscal policy with sharply accelerated money and credit growth. By November, the year-over-year growth rate of loans in China had reached 34 percent. Over the course of the year, the focus of lending shifted from the corporate sector to the household sector. By November, 80 percent of loan growth was directed to households. That statistic strongly suggests that Chinese policymakers may have seen some inventory accumulation as a result of production surges earlier in the year and so, subsequently, have redirected rapid credit growth to support elevated purchases of goods and services by households. Rapid growth of government spending and credit in China has begun to push up prices. During the three months ending in November, China's annualized consumer inflation rate rose to 3.8 percent, up sharply from negative readings several months ago. The head of the banking regulator said he expected loan growth of RMB7.5trn (\$1.1trn) in 2010, down from RMB9.6trn last year. Markets have taken this as further evidence of the government's more hawkish stance, although it should be noted that the 2010 target is still 50% higher than the RMB5trn target for 2009 which was set a year ago and ultimately smashed. The new target would equate to a 19% y/y expansion in outstanding loans, the third strongest growth on record.

**Yesterday, U.S. stocks slid, with the S&P 500 retreating from a 15-month high,** as results at IBM and Morgan Stanley disappointed investors and China curbing lending weighed on basic resources. After the close, eBay (+8.10 %) reported profits that beat estimates on Holiday spending and the sale of its Skype internet-calling unit. Starbucks (+2.9 % after session) raised its guidance. This morning, Japanese stocks were up (Nikkei +1.22 %) led by electronics makers, while Shanghai (+0.15 %) and Shenzhen (+0.14 %) markets fared well (06.30 GMT) despite China curbed lending. U.S. Index futures were up: DJIA +0.21 %, S&P 500 +0.32 %, Nasdaq 100 +0.36 %. European stocks may recoup most of yesterday's losses at the opening.

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	78,0	1,4097	91,54	3,68	3,22	-1,63	-1,70	-0,24	-0,49	-1,37	-1,49	-1,20	-1,03	-0,30	-1,06	-1,26	-1,14	US
Perf 1d %	-0,33	-0,06	-0,29	2,91 bp	-5,4 bp	-2,61	-2,15	-0,74	-1,01	-1,97	-1,52	-1,84	-1,82	-0,82	-1,60	-1,86	-1,72	Europe

### ECONOMIC DATA with impact

**GOLDMAN and XEROX 's earnings before market opening & AMEX / GOOGLE / AMD after the close**

**Jobless Claims (13.30 UK time)** expected 440k from previous 444k / **interesting** as jobless Claims trend is improving, which would be very welcome and might predict some better employment reports on Friday in two weeks time after the December disillusion

**Philadelphia Fed index (15.00 UK time)** expected 18.5 from previous 20.4 / **minor focus earnings**

**Leading indicators (15.00 UK time)** expected 0.7% from previous 0.9% / **minor focus earnings**

### POSITIVE IMPACTS

**AHOLD : Q4 sales €6.8bn** (6.67bn exp) / **Stop&shop-Giant-landover** Q4 sales \$4.4 bn (\$4.25 bn exp) / **Giant-Carlisle** Q4 sales \$1.3 bn (\$1.17 bn exp) / **Albert Heijn Q4 sales €2.5 bn** (€2.42 bn exp)

**NOVOZYMES : Q4 sales DK2.17bn** (2.05bn exp) / **Operating margin 19.9%** (19.8% exp) / **Kept LT targets unchanged**

**UNITED UTILITIES :** Trading for the period from 1 October 2009 to 20 January 2010 **is in line** / **Cut dividend to 30p** in 2010/11

**FIAT 2009 results** will beat the average of consensus figures from analysts (CEO)

**DEUTSCHE POST :** German political party FDP which is outlining a new strategy to combat cartels concluded that Deutsche Post should be forced to **split up its letter distribution business** (Handelsblatt)

**ALCATEL (Minor) :** Walt Disney, Fox and NBC Universal are being sued by a trust associated with Alcatel over alleged patent infringements involving video-compression technology (Bloomberg)

**SEMI CONDUCTORS :** DRAM prices for volume users have surged roughly 50% since September, with demand from personal computer manufacturers outstripping supply (The Nikkei)

**ACCOR** (Yest. Afternoon) is studying a possible listing of part or all its holdings in casino business Lucien Barriere (Challenges)

**STM :** Areva's plan to **sell its 11% stake in STM is not urgent** as Areva needs cash only from 2011 (Les Echos)

**LOGITECH : Q3 revenue \$617m** (605m exp) / **Ebit \$58.4m** (54.8m exp) / **Sees Q4 sales \$500m-515m** (507m exp) / **But sees Q4** operating of \$15-20m (30m exp) due to the impact of amortization of intangible assets...

**NOVARTIS** edged ahead of **MERCK KGaA** in the race to get the first oral multiple sclerosis treatment to market as it said yesterday that it had **filed oral multiple sclerosis pill** FTY7 dose for regulatory approval in the U.S. and Europe / Separately, the independent directors of Ualcon said that NOVN's **offer to buy out minority** shareholders in Alcon is "**grossly inadequate**" and could lead to staff leaving...

**ROCHE :** New data show elderly colorectal cancer patients taking **Xeloda** live cancer-free for longer



**RBS** : JPM may announce a deal to acquire RBS Sempra Commodities in "a matter of days" (FT)  
**AXA Asia Pacific Holdings** said unaudited 2009 net income was about A\$675m ( A\$555m expected)  
**TULLOW OIL discovered oil** at tweneboa-2, confirming "major" oil and gas condensate field

**EBAY** : Q4 revenue \$2.37bn (2.30bn exp) / EPS \$0.44 (0.40 exp) thanks in large part to growth in its PayPal online payments unit + improvements in its core marketplace business / Sees Q1 revenue \$2.10-2.2bn (2.16bn exp) & EPS of \$1.63-1.68 (1.61 exp)

**STARBUCK** : Q1 revenue \$2.72bn (2.60bn exp) / EPS \$0.33 (0.28 exp) / U.S. same-store sales rose 4%, the first growth rate since the end of 2008 (success of its Via instant coffee) / No sees FY EPS \$1.05-1.08 (1.02 exp)

**TO BE NOTED** : China's bank regulator will introduce curbs on lending on a monthly and quarterly basis (China Daily) / Each bank should extend no more than 12% of its full-year planned new loans each month, and no more than 30% of its new-loan goal each quarter

### NEGATIVE IMPACTS

**ENEL** would be planning a €2bn retail bond sale next month that could be extended to €4bn (II Sole 24 Ore)

**SOCIETE GENERALE** : CEO said that the bank would see more writedowns this year as part of its restructuring (FT)

**MORRISON** : For 6 weeks to 3 January, LFL sales up 6.5% ex-fuel, in line / Expects market to remain challenging / FY outlook unch.

**INFINEON (Minor)** : The supervisory board rejected the nomination of Willi Berchtold (the candidate of UK pension fund Hermes) to the supervisory board and as the board's potential chairman

**VOLKSWAGEN (Minor)** : Suzuki's CEO said he does not want Suzuki to become VW's 12th brand or for VW to raise its stake > 19.9%

	RESULTS	DIVIDENDS	EVENTS
Today	EU \ Ahold / Bankinter / Continental Airlines / Logitech / United Utilities US \ AMD / American Express (AMC) / Goldman Sachs (BMO) / Google (AMC) / UnitedHealth / Union Pacific / Xerox (BMO) Australia \ OZ Minerals	Colgate (\$0.44)	ThyssenKrupp AGM
Friday	EU \ Bankinter / Sony Ericsson / US \ Air Products & Chemicals / General Electric (BMO) / Mc Do (BMO) / Merck / Schlumberger (BMO)	ThyssenKrupp (GBp 0.3)	
Monday	EU \ Ericsson / Fiat / Philips US \ Amgen (AMC) / Apple (AMC) / Halliburton (BMO) / Texas Instruments (AMC)		Sodexo AGM
Tuesday	EU \ Banco Popular Espanol (BMO) / Kone / KPN / Novartis / Siemens / ST Microelectronics (after US close) US \ Du Pont de Nemour (BMO) / J&J / Verizon / Yahoo! / United State Steel Asia \ HTC		Monsanto AGM
Wednesday	EU \ BBVA / Banco Esperito Santo / Lonza / Metropole TV (M6) sales / SAP US \ Abbott / Boeing / Caterpillar / ConocoPhillips / General Dynamics / Qualcomm / Sun Micro / United Tech Asia \ Canon	Compass (GBp 9,777778) / Siemens (€1.60)	Apple iSlate presentation

### TRADING IDEAS

BUY ALCATEL / METRO to play reversal Head & Shoulder possibility & BUY STM to play dollar recovery still

BUY ALSTOM / ST GOBAIN / DBK / CREDIT SUISSE / ACCOR looking good

BUY BNP / BASF on double bottom

BUY EUROSTOXX / SELL VINCI / UNILEVER

BUY METRO / SELL TESCO // BUY H&M / SELL INDITEX // BUY DTE / SELL KPN // BUY BRISTOL / SELL PFIZER

### BROKER METEOROLOGY

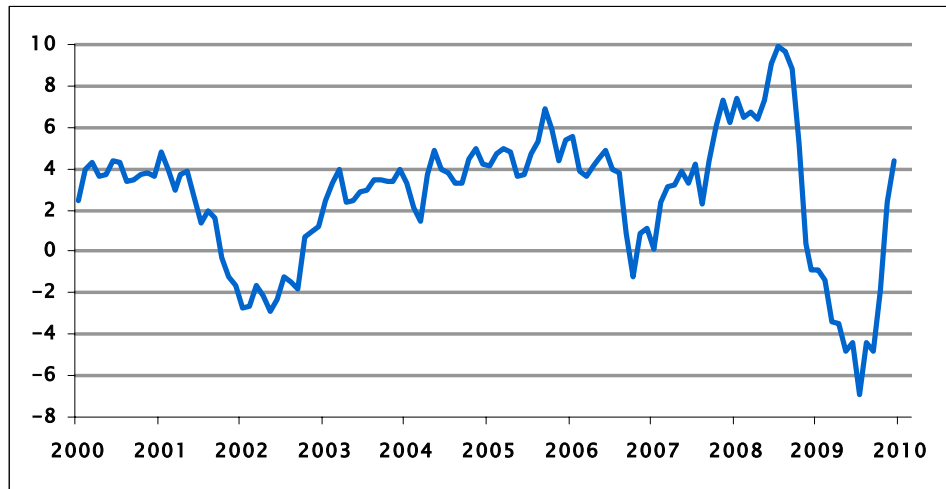
HAYS ..... RAISED TO NEUTRAL FROM NEUTRAL ..... BY NOMURA  
 METRO AG ..... RAISED TO BUY FROM HOLD ..... BY UNICREDIT  
 THOMAS COOK ..... RAISED TO NEUTRAL FROM UNDERWEIGHT ..... BY NOMURA

BNP PARIBAS ..... ADDED TO LEAST PREFERRED LIST ..... BY BANK OF AMERICA – ML  
 SEBA SS ..... ADDED TO LEAST PREFERRED LIST ..... BY BANK OF AMERICA – ML  
 CARLSBERG ..... CUT TO UNDERPERFORM FROM NEUTRAL ..... BY CREDIT SUISSE  
 CARREFOUR ..... CUT TO NEUTRAL FROM BUY ..... BY UBS  
 FIAT ..... CUT TO NEUTRAL FROM BUY ..... BY BANK OF AMERICA – ML  
 FORTUM ..... CUT TO UNDERWEIGHT FROM NEUTRAL ..... BY HSBC  
 SCOTTISH & SOUTHERN ENERGY ..... CUT TO NEUTRAL FROM OVERWEIGHT ..... BY HSBC  
 SODEXO ..... CUT TO NEUTRAL FROM REDUCE ..... BY NOMURA

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

CHART OF THE DAY

US Producer price index finish goods NSA(YoY,%)  
Since 2000



Source: Bureau of Labour Statistics

Despite a modest 0.2% increase in December, producer price reached 4.4% YoY (prior 2.4% YoY). This figures are similar to the consumer price index released last week. Indeed the producer price index increase is logical as it is due to a base effect as energy prices sharply dropped a year ago. Consequently producer prices should continue to increase in the coming months./JB

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
2.00 GMT	China	GDP	4th quarter	10,5% YoY	10,5% YoY	8,9% YoY
2.00 GMT	China	Consumer price index	December		+1,4% YoY	+0,6% YoY
2.00 GMT	China	Retail sales	December		+16,3% YoY	+15,8% YoY
5.00 GMT	Japan	Leading economic indicator (final)	November			91,2
5.00 GMT	Japan	Leading coincident indicator (final)	November			95,9
9.00 GMT	Euro area	PMI manufacturing (advanced)	January		53,8	53,6
9.00 GMT	Euro area	PMI services (advanced)	January		51,9	51,6
13.30 GMT	United-States	Initial jobless claims	January 16th		440 000	444 000
13.30 GMT	United-States	Continuing claims	January 9th		4 600 000	4 596 000
15.00 GMT	United-States	Philadelphia Fed	January		18,5	20,4
15.00 GMT	United-States	Conference Board leading indicators	December	0,7%	0,7%	0,9%

Indexes	Price	% 5 Days	Ytd
DJIA	10603,2	-0,17%	1,68%
S&P 500	1138,0	0,19%	2,06%
Nasdaq	2291,3	0,40%	0,97%
CAC 40	3929,0	-1,80%	-0,19%
DAX	5851,5	-1,87%	-1,78%
Eurostoxx 50	2914,6	-2,14%	-1,70%
DJ 600	256,3	-0,24%	0,95%
FTSE 100	5420,8	-0,92%	0,15%
Nikkei	10868,4	0,02%	3,05%
Shanghai Comp	3169,7	-0,66%	-3,28%
Sensex (India)	17368,6	-0,20%	-0,55%
MICEX (Russia)	1461,2	1,83%	6,66%
Bovespa (Brasil)	68200,1	-3,11%	-0,57%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,4113	-2,66%	-1,45%
EUR/JPY	129,09	2,45%	-3,18%
USD/JPY	91,47	-0,28%	-1,71%
Oil	Price	% 5 Days	Ytd
Brent \$/b	75,9	-2,17%	-1,77%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1117,0	-2,27%	1,82%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,12
Overnight	0,04	0,25	0,12
3 Months	0,04	0,29	0,20
10 Years**	3,67	3,22	1,35

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

\*\* Euro: German Bund rate Source : Bloomberg

## ECONOMIC DATA PREVIEW

Watch in **THE UNITED-STATES** the Conference Board leading index for December released at 15.00 GMT. The recovery is expanding as showed by the ISM manufacturing and the ISM services index reaching 55.9 and 50.1 respectively in December, as well by the rebound of private consumption which accounts for approximately 70% of the American GDP and the industrial production. Not to mention the labour market as showed by the unemployment rate stabilizing at 10% in December. Consequently, the Conference Board Leading Indicator should rise by 0.7% in December.

Keep on eye on the weekly release of Initial jobless claims and continuing claims released at 13.30 GMT, expected to slightly improve lead by the recovery in the US. Improvements will be slow as the unemployment remains a lagging indicator of the activity with a gap between six to nine months.

## ECONOMY

### UNITED-STATES : HOUSING STARTS DECLINED AND BUILDING PERMITS ROSE IN DECEMBER

After declining by 10,6% in October, housing starts improved in November to reach 580 000. Building permits which declined by 4% in October, improved as well to reach 589 000 in November. In December housing starts were disappointing and declined to reach 557 000 (forecast 572 000). Meanwhile building permits a leading indicator of housing starts increased by 11% reaching 653 000 a highest since October 2008. This encouraging data confirmed that the housing market rebound is taking place but remains progressive.

### UNITED-STATES : NEW RISE OF PRODUCER PRICE INDEX IN DECEMBER

Despite a modest 0.2% increase in December, producer price reached 4.4% YoY (prior 2.4% YoY). This trend can be compare to the consumer price index released last week. Indeed the producer price index increase is logical as it is due to a base effect as energy prices sharply dropped a year ago. Consequently producer prices should continue to increase in the coming months. Meanwhile core producer prices were unchanged in December widely due to a 1.2% decline in light truck prices. From a year ago core producer prices reached 0.9% YoY (prior 1.2% YoY) a three year and a half year low, down from a peak of 4.7% YoY in October 2008.

