

The stimulus unwinding in a political and economical harmony is the focus for this year, now that the economy is back on a growing pace. The NY collapse following Obama's tough speech was in a way a positive sign that Obama will not be able to go too far. The banks and the financial markets reversal is just saying that Obama might just be breaking the branch on which he is sitting.

The bad point : The Democrats lost their super majority in the Senate last week, meaning that they can no longer force legislation through, and they could lose more seats in November's mid-term elections. It is unlikely that many Republicans would be willing to support the proposals. Nevertheless, it is even clearer now that the tide has turned. Obama's speech on Thursday turned then to a very political one even though his mandate was initially a very economical one with the job creation as a focus. But the loss of the Massachusetts democrats seat on Tuesday was important as the Democrats have no longer the absolute majority at the Senate and will have to deal in order to get some positive election issue in November which Obama is very nervous about. The market did not seem to care much and was even able to rebound on Wednesday, until Obama spoke with a very tough and demagogic stance toward banks the following day, bringing doubt on the easy quantitative policy which somehow seems to be profiting to banks while the Unemployment rate remains on a 10% level, and increase the risk of a high inflation in addition to the one of another bubble (which we disagree with at this stage, deflation, remains the main threat if any). Bernanke 's mandate was a done deal until Obama's speech, and the switch from a few Senate members who said they will no longer vote for him next Sunday (January 31st) is creating tensions. Volker comes up in the mind of people, as he is currently an adviser at the White House, and in term of inflation he is just a serial killer. He will succeed in fighting inflation in case he has to run the Fed policy, but good luck for the economy, the employment etc... And here is the limit of the tough stance from Obama.

The good point is that we got a huge volume on Friday, and on Thursday, meaning that there is some sort of capitulation. On the economic front, nothing has changed. The recovery is still challenging, but happening. Yes, tougher legislation might slow the recovery pace, but should not prevent it from happening. You could also see the positive sign of it , and the gradual normalization of the economy which was rescued since 9 years and its two bubbles by quick means which kept delaying the bad issue and make it even worse as the time was passing. Things look very bad when they are announced, but they are much more difficult to implement, if they are to be implemented and for that you need to go through which is far from done at this stage. Whether these particular proposals are ever enacted by Congress is uncertain. Obama has to look good toward the public opinion if he wants to last, and since the fantastic announcements of banks earnings his task has become much more challenging, which the election loss just reflected on a national level. But he also has to compose with the economy, and the job sector, which means he can not waste all what has been done so far with the risk of having spent trillions of dollars for no return. In reality nothing new has been happening, but the Obama's administration will have to compose more with the public opinion, and Bernanke should be elected next weekend as planned. The market was very long, and the lack of catalysts made the downside correction very bad, while this week's GDP should remind investors that the US economy is about to succeed, with some possibly 5 - 6% of GDP expectations for Q4 and after the risky weekend coming we should focus on the Employment report the following Friday 5th of February. Any job creation number will bring a lot of power back to Obama.

The market in itself will just be the focus this week, and we should see some nice rebound happening. The earnings releases were fine, if not great, and the new 10% discount since the selling panic from the Obama's tough switch should offer some selective buying opportunity. The market did need to breathe, and 2010 has always been seen as the year of transition, where the economy is running on its own, with some bad moments and shaky sudden moves since we do not know the exact outcome of the economy, which for sure seems to be on track for a recovery. The strategists awakening telling you about a bubble in China, or on the oil prices and metal ones are precisely often the same one that were telling you the cash is king 9 months ago, and that the oil prices should be heading to 300 dollars per barrel two years ago. New decent prices, not much new but an Obama which will be more careful with the public opinion, nice upside ride possibility in the pipe, until we meet some next hot moments. Chinese announcement might be scary short term, but is a positive sign that most worldwide officials are monitoring the recovery process in harmony with a safe background. There was probably more spec in oil prices when trading 145 than lately in the \$70/80 levels ! There was a crucial need to avoid a Great Depression scenario, and for that officials had to unlock liquidity, and make money circulate, precisely the reason for the zero yield policies and all the stimuli injections. The economic growth is back, there are some imbalance and this is no surprise, including from the political front. Here comes 2010 and its trading opportunities. On paper, companies are passing the earnings test with flying colors. Of the 92 companies that have released fourth-quarter results, 78% beat expectations for the bottom line, 4% matched and 17% fell under consensus forecasts. Thomson Reuters data showed.

Today's Apple and Texas Instruments might remind us that things are going the right way. Alcoa, Intel, IBM, GE reported earnings which showed there was some volume increases, and earnings were not only matched thanks to some cost cutting, meaning the economy is really expanding unlike last year at that time. Dupont, Johnson, Verizon tomorrow, Abbott, Boeing, United Technology on Wednesday alongside the important FOMC meeting, Ford, Motorola, Nokia, Microsoft, Procter on Thursday as well as Chevron and Honeywell just ahead of the GDP on Friday will remind us the strong economical pace that should profit to equity markets. Obama 's sate of the union address will be a focus. Obama can not ignore his employment recovery focus, which means an economical pick up, and as a matter of fact the equity markets same as the housing one has become an economic component on its own which he has to deal with as well. As such, financial markets sent a very clear signal on Friday, we die, you die ... Already a democrat senator reminded Friday night he would vote for Bernanke next Sunday as initially planned, while Obama said Bernanke should be confirmed with no doubts.

Opening down because of the depressing US close, we should be rebounding big.

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	74,6	1,4167	90,11	3,62	3,22	-2,30	-2,33	-2,90	-1,18	-3,97	-1,26	-1,79	-2,02	-5,29	-2,21	-2,67	-2,09	US
Perf 1d %	-1,72	0,20	-0,53	1,55 bp	0,8 bp	1,13	0,01	0,08	0,26	-1,18	0,44	0,41	0,74	-2,16	-0,18	-0,57	-0,04	Europe

ECONOMIC DATA with impact

Existing Home sales (15h UK time) expected 5,90 mln from previous 6,4 / **interesting** although might not be the focus for now + any lower number will be forgiven because of the Tax credit extension

Apple and Texas Instrument after the US close

POSITIVE IMPACTS

PHILIPS : Q4 sales €7.3bn (7bn exp) / **Ebita €662m** (502m exp) / **Proposed dividend of €0.70**, unchanged & in line / **Sees** upward trend in emerging to continue / Committed to delivering EBITA profitability of 10% or better

ERICSSON : Q4 sales SK58.3bn (59.8bn exp) **but core operating margin 13%** (12.7% exp) / **Q4 adj. Gross margin 35%** (35.7% e) / Effort on the **dividend with SK2.00** (1.85 exp) / **Maintained mkt share** in all segments / Plans to **cut more jobs...**

ABERTIS denied a report from Corriere della Sera saying that Benetton family and Mediobanca are studying a **tie-up with Atlantia**

EDF is discussing a plan to seek an **increase of around 24% in power rates** for the period between 2010 and 2015 (Les Echos)

PUBLICIS is close to securing a deal to **buy a majority stake in France Televisions Publicite**, the advertising arm of the state-owned TV channel (La Tribune)

BSKyB is likely to report a rise in **revenue to £2.85 bn for its H1** (2.58bn exp) (The Independent)
GAZ DE FRANCE-SUEZ : "France needs to broaden its array of offerings in the nuclear sector in order to prevent further failures to win deals" (Sarkozy)
TECHNIP and **SUBSEA 7** have been awarded a subsea installation contract by Australia's largest publicly traded oil & gas company, Woodside Energy
BP : **Russian shareholders in TNK-BP are ready to give up** their management role at the firm once Maxim Barsky becomes CEO in 2011 (Financial Times)
ENI may give a cash **sweetener of up to \$300m** to the Ugandan government to convince it to approve a \$1.5 bn purchase of a stake in 2 oil fields and thwart a rival offer from **Tullow Oil** (The Sunday Times)
INTESA probably earned about €2.8bn last year (2.7bn exp) (Il Sole 24 Ore) / The CEO said profit growth will pick up in 2011 and 2012
CREDIT SUISSE : Koor Industries said it had **raised its stake to 2.78%** from 2.28%
SIEMENS : Synthes and Australia's Cochlear have emerged as suitors for Siemens' hearing aid unit ahead of binding bids due in late February (Siemens hopes the unit would fetch more than €2bn)
MERCK KGAA said a study showed that **Erbix improves overall survival** when added to other chemotherapy regimen
DEUTSCHE POST is **sticking to its 2009 earnings targets** + & reaffirmed a large **M&A deal was "highly unlikely"** (CFO)
HANNOVER RE reiterated it aims to pay a **dividend of €2** for 2009
AIR BERLIN is confident that it **will meet its 2009 earnings forecast**
CENTRICA may be **vulnerable to a takeover** attempt if the U.K. doesn't decide that it is a strategic asset (Chairman in M. on Sunday)

BANKS : The UK chancellor warned that Barack Obama's proposals for shaking up the banks would not have prevented the crisis & risk undermining the international consensus on reforming the financial system / He made clear that he saw serious shortcomings in the American approach (The Times) / Separately, Japan's FSA announced Friday a **3-month extension to its temporary ban on naked short-selling**, currently in place through Jan. 31

NEGATIVE IMPACTS

EADS : Astrium **could lose a €1.5 bn-order** for next-generation Meteosat weather satellites to OHB (WirtschaftsWoche) / **Separately**, the Airbus A400M had an engine problem on its maiden flight last month (Spiegel)
VOLKSWAGEN revised its previous assumptions for **global car market sales lower by 67m vehicles** for the period through 2018
VEOLIA : The dual role of Henri Proglio as CEO of EDF and non-executive chairman of Veolia should not last (Economy Minister)
DEUTSCHE TEL. : Vodafone plans to resurrect its German Otelo brand as a no-frills mobile product to grab market share from rivals and boost revenue
FERROVIAL : Poland's highway agency **canceled a \$2bn freeway-construction** contract with Autostrada-Poludnie SA after the Polish unit of FER failed to get commercial banks to help finance the project
RBS may be forced to delay the sale of its stake in Sempra Commodities, as U.S. plans to curb proprietary trading would reduce Sempra's revenue (Times)
WOLSELEY's CFO stepped down...

	RESULTS	DIVIDENDS	EVENTS
Today	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 (BMO) / Siemens / ST Microelectronics (after US close) US // Corning (BMO) / 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 / Symantec / United Tech Asia // Canon / LG Electronics	Compass (GBP 9,777,778) / Siemens (€1.60)	Apple iSlate presentation
Thursday	EU // AstraZeneca / Banco Espirito Santo / Banco Sabadell / B Sky B / H & M / Nokia / JCDecaux sales / Lonmin production report / Lonza / Seche Environnement / Suez Environnement sales / Svenska Cellulosa / Xstrata production report US // Altria / Amazon.com / American Electric Power / AT&T / Baxter / Bristol Myers Squibb / Cardinal Health / Colgate / Eastman Kodak (BMO) / Eli Lilly (BMO) / Estee Lauder / Ford Motor (BMO) / Microsoft / Motorola / P&G / SanDisk / Tyco / 3M Asia // NEC / Nintendo / Nippon Steel / Taiwan Semiconductor / Tata Steel /		
Friday	EU // Infineon / OMV (BMO) US // Chevron final / Ford / Fortune Brands / Honeywell Asia // Kia Motors / NTT DoCoMo / Samsung Electronics / Tata Motors		Banco Popolare EGM / Porsche AGM / Siemens AGM

TRADING IDEAS

Island possibility on **DBK / SWISS LIFE / SWISS RE / CAC / EUROSTOXX & DAX** cash indices
BUY ALCATEL on track for new image announcement on Feb 11th & **BUY SAP** back on attractive levels
BUY METRO to play reversal Head & Shoulder possibility
BUY AEGON / BNP & SOC GEN killed
BUY AIR LIQUIDE & ALSTOM / BUY AXA on gap level (15.17/15.11) and **REPSOL** on gap level too (17.18/17.25)
BUY PERNOD / SELL HEINEKEN // BUY TOTAL / SELL ASTRAZENECA to play exotic spread // **BUY STM / SELL ASML // BUY METRO / SELL TESCO // BUY H&M / SELL INDITEX // BUY BRISTOL / SELL PFIZER**

BROKER METEOROLOGY

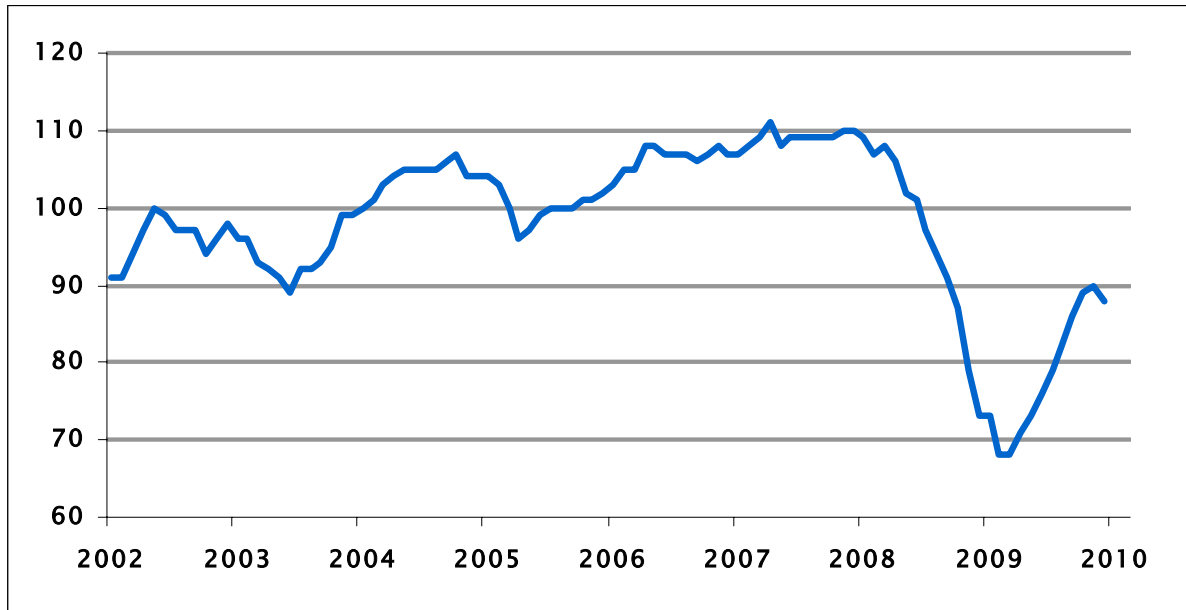
PPR **RAISED TO OVERWEIGHT FROM NEUTRAL** **BY HSBC**
ALSTOM **RAISED TO BUY FROM HOLD** **BY HSBC**
NORDEA **RAISED TO HOLD FROM SELL** **BY DEUTSCHE BANK**
BRITISH LAND **RAISED TO BUY FROM NEUTRAL** **BY UBS**
UNITED UTILITIES **RAISED TO BUY FROM HOLD** **BY CITIGROUP**
TELIASONERA **RAISED TO HOLD FROM SELL** **BY CITIGROUP**

SEBA SS	CUT TO SELL FROM HOLD	BY DEUTSCHE BANK
SWEDBANK	CUT TO SELL FROM HOLD	BY DEUTSCHE BANK
VIVENDI	CUT TO HOLD FROM BUY	BY CITIGROUP
TELECOM ITALIA	CUT TO HOLD FROM BUY	BY CITIGROUP
TELEFONICA	CUT TO HOLD FROM BUY	BY CITIGROUP
REDD ELSEVIER	CUT TO HOLD FROM BUY	BY CITIGROUP
MOBISTAR	CUT TO SELL FROM HOLD	BY CITIGROUP

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CHART OF THE DAY

France Business Confidence Indicator (value)
Since 2002



Source: INSEE

France business confidence indicator increased from 88 in December to 92 in January, the highest level since August 2008, meaning before the Lehman Brother fall./JB

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
7.00 GMT	Germany	GfK consumer confidence	February		3,2	3,3
15.00 GMT	United-States	Existing home sales	December		6,00 million (-8,3%)	6,54 million (7,4%)
15.30 GMT	United-States	Dallas Fed manufacturing activity	January			+3,8%

Indexes	Price	% 5 Days	Ytd
DJIA	10173,0	-4,96%	-2,45%
S&P 500	1091,8	-4,92%	-2,09%
Nasdaq	2205,3	-4,81%	-2,81%
CAC 40	3820,8	-3,38%	-2,94%
DAX	5695,3	-3,07%	-4,40%
Eurostoxx 50	2836,8	-3,52%	-4,32%
DJ 600	249,9	-2,53%	-1,57%
FTSE 100	5303,0	-2,75%	-2,03%
Nikkei	10512,7	-3,57%	-0,32%
Shanghai Comp	3117,6	-2,96%	-4,87%
Sensex (India)	16743,7	-3,96%	-4,13%
MICEX (Russia)	1410,4	-2,91%	2,95%
Bovespa (Brasil)	66220,0	-4,00%	-3,45%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,4164	-1,62%	-1,17%
EUR/JPY	127,82	2,15%	-4,43%
USD/JPY	90,25	0,50%	-3,19%
Oil	Price	% 5 Days	Ytd
Brent \$/b	72,4	-5,15%	-6,17%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1102,3	-2,79%	0,46%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,11
Overnight	0,01	0,25	0,11
3 Months	0,05	0,28	0,20
10 Years**	3,62	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 Existing home sales for December released at 15. GMT, expected to decline by 8.3% at 6 millions as the recovery of the housing market remains very progressive.

ECONOMY

FRANCE : BUSINESS CONFIDENCE INDICATOR INCREASED IN JANUARY.

France business confidence indicator increased from 88 in December to 92 in January, the highest level since August 2008, meaning before the Lehman Brother fall. Despite the logical rise of unemployment in France, the bottom as been reached and the economy is progressively recovering. Nevertheless after the sharp fall the present technical rebound needs to be confirmed. Furthermore France recovery as the euro area remains fragile and will not be able to handle to many bad news as a lasting strong euro or an increase in energy prices./**JB**

