

Now that the Bernanke risk avoided and with it the little political storm we did attend, we should be heading back toward a fundamental focus, and take into account that both micro and macro news which came out during the Obama storm were rather nice, and today's GDP should remind us of it. Whoever would say it belongs to the past, we would say we agree, but do not forget the 12% market downside offered to you now, with the bank reshuffle to be examined in a few months, if voted by the congress, which means in another life at this stage. Indeed, there are more and more chances that the recovery happens to be strong enough not only to last, but to last without any sponsorship from worldwide Central Bankers, and this deserves a premium. Also, we will soon get some update about January, which belongs to Q1 2010, and should help us in term of visibility.

More than the stronger than expected Q4 GDP, we will start working in harmony with the news flow, and as such the ISM manufacturing on Monday will be very important, in providing some clues about the job sector ahead of the heavy weight data next Friday: the Non Farm Payrolls and with it the unemployment rate telling about the job creation number for January. However, such a strong GDP data today would imply that the economic recovery is gaining traction.

By the way, about yesterday's December Durable Orders, according to the official figures, they increased by only 0.3% m/m, following a 0.4% decline in November. Given the consensus forecast of a 2.0% rise, you might think this report is disappointing. But actually, looking at the details, there are a lot of positives. For a start, according to those official figures non-defence aircraft orders fell by 38.2% m/m in December, after a 40.0% decline in November. That is hard to square with Boeing's own data, which shows the aircraft manufacturer booked orders for 59 aircraft in December, a six-fold increase on the 9 aircraft ordered in November. So to summarise : the official figures show a near 40% decline while the industry data show a 600% increase ! the charm of figures ... Aside from the aircraft shenanigans, motor vehicle orders rebounded by 3.6% last month and excluding transportation, core orders increased by a solid 0.9%, following a 2.1% gain in November. Non-defence ex-aircraft capital goods orders increased by 1.3%, suggesting that business investment in equipment will do well in the first quarter. Non-defence capital goods shipments surged by 3.7%, which is very good news for fourth-quarter business investment and GDP.

About Europe, the focus lately about Greece higher spread should be tempered. If you wonder whether France and Germany are going to bail out Greece, we can't say. But for sure Europe will not blow because of Greece. Or should we rather say it is a very dangerous stance to bet on it as we have overcome much higher problems lately. As to the Euro drop vs dollar, not only we find it very logical as we connect a currency to its economy strength, but it is welcome for European exporters to make them be competitive back again. US economy back on a strong pace, the world will feel better, including Europe, which the financial markets will play.

About Greece, until a couple of months ago, the spread of Greek government yields over German bonds moved closely in line with those of Ireland. Since December, however, Greek spreads have risen much more sharply, reflecting the perception that, unlike Ireland, Greece has done little to improve its fiscal outlook. The gap has widened by another 100bps this week alone. But these movements might be starting to look a little extreme compared to the fundamental differences between the two economies. Of course, the outstanding level of Greek government debt (at 113%) is far higher than that of Ireland (65%). But that is nothing new. Meanwhile, Greece's budget deficit in 2009 is likely to have been only a little higher than Ireland's. What's more, Greece has pledged to reduce its deficit more sharply than both Ireland and Spain. Indeed, while the Greek Government's goal is to lower its budget deficit below the 3% Stability and Growth Pact (SGP) ceiling by 2012, the Irish Government only plans to meet the ceiling by 2014. However, this is just words and we need to see some action. It was planned that February would bring some turbulence from Greece as it is supposed to present its budget which the IMF is working together with the Greek government. However, while the reality of Greece's position is perhaps not as bad as recent market movements might suggest, it is perceptions that matter. The markets' confidence in Greece has clearly been severely shaken by the huge revisions to the published fiscal numbers and its generally poor track record in controlling its public finances. Overall, then, while Greece's position may not be much worse than that of Ireland and some other euro-zone economies ("PIGS"), it may have to announce much more decisive measures in order to convince the markets of that, and will probably do so anytime soon.

About equity markets, Nokia's dividend was important, and this might be the second step for the equity rise we should attend this year. Nokia was seen as a dead stock, and dead money in term of investment. However, not only the figures were good, but more than everything it was able to pay a 0.4 euro dividend which explains the reason why the drop some bear players are forecasting will hardly happen. Wait until the employment is showing up, such as James Dimon was saying, as soon as we reach a job creation process he will raise the dividend from 30 cts to 75cts or 1 euro. Most firms will be rewarding investors as time is passing by and the landscape is clearing and liquidity not as important as one year ago when the credit crunch was running at full speed.

About Volcker, currently Chairman of the President's Economic Recovery Advisory Board, he will present some ideas regarding the banks reshuffle to be, or not be, implemented if the Congress is passing the bill once ready to be voted. Volcker is a name you don't want to hear at the head of the Fed in term of economical impact as his only focus would be the inflation, but he is a very clever and professional man. Same as in the past, there is no point in wasting the money spent in achieving a laborious recovery, and the team will be working on a way to protect the banks from such a crisis to happen again in a close future anyway. Nothing too extreme should be seen in the pipe, far from Obama's populist talks anyway which was aiming at gaining back some electors following the Massachusetts election loss which cuts the democrats from a full power at the Senate.

Upside session ahead, Greek troubles should trigger some announcement anytime, while things are improving on a US political front and the GDP will remind us of the strong economical pace which next week data should give us a flavour for 2010

	WTI	€/€	\$/¥	10 yr US	10 yr Euro	Basic	Energy	Financ	Health	Tech	Tel	Indus	Utilities	SOX	S&P	NAS	DOW	Close
Last	73,8	1,3939	89,87	3,62	3,20	-2,03	-1,06	-0,64	-0,81	-2,95	-0,96	-1,41	-0,97	-3,02	-1,18	-1,91	-1,13	US
Perf 1d %	-0,14	-0,23	0,29	-1,92 bp	0,1 bp	-2,73	-2,03	-1,67	-0,89	-3,34	-0,68	-2,03	-1,39	-4,21	-1,63	-2,34	-1,62	Europe

ECONOMIC DATA with impact

US Q4 GDP (13h30 UK time) expected around 5% / upside possibility / interesting although belonging to the past, but since the 12% market drop due to political reasons lately this data might remind investors that the basics remain strong both micro and macro, and so far January Consumer Confidence tended to say that January is still strong, which we will try to read through next week data

Chicago PMI (14h45 UK time) expected 57.2 from previous 58 / interesting as a little leading indicator for the ISM out on Monday

Michigan Index (14h55 UK time) expected 73 from previous 72.8 / minor as just a confirmation figure

POSITIVE IMPACTS

TELECOM ITALIA : Italian Industry Minister said yesterday he will meet with Telecom Italia's management "in the coming days" to discuss the hypothesis of a takeover from Telefonica...

UNIBAIL-RODAMCO is set to replace VOLKSWAGEN in the EuroStoxx 50 when the new line-up is unveiled on Feb. 1

INFINEON : Q1 sales \$941m (922m e) / Operating €88m (74m e) / Raised FY10 guidance = Sees Q2 sales to be about same level or down slightly compared to Q1 (874m exp) / Sees FY10 sales growth > 20% (vs 10% before) + high single-digit margin (mid sigle before)

NATIXIS has had interest from around 30 possible investors in its PE biz, including AXA Private Equity and Collier Capital (Wansquare)

FRANCE TELECOM - VIVENDI - BOUYGUES - ILIAD : The French government wants €120 m for each of the 2 frequencies still to be sold as part of the fourth 3G wireless licence, the same amount Iliad paid for its licence (La Tribune)

CREDIT AGRICOLE 's CEO said proposed capital rules won't cause a shortage of reserves at the bank (Davos)

AREVA : 2009 sales €8.5bn ex T&D (Vs 8.59bn expected) driven by its reactors and services unit / Order backlog up 1.8% at €43.3bn end 2009 / Sees significant sales growth for nuclear and renewables

AMAZON : Q4 sales \$9.52bn (9.04bn exp) / Q4 EPS \$0.85 (0.72 exp) / Announced a \$2bn share buyback / Sees Q1 sales \$6.45-7.00bn (6.42bn exp) / Sees Q1 operating income \$275-365m (341m exp)

MICROSOFT : Q2 revenue \$19.02bn (17.88bn exp) / EPS \$0.74 (0.59 exp) almost entirely due to the October launch of Windows 7 (propelled a 60% increase in Q2 profit) / However, outside its Windows franchise, most of MSFT's other businesses continued to show weakness / Reiterated earlier expectations of a recovery sometime this year...

NEGATIVE IMPACTS

FINMECCANICA about 2009-2010 guidance = Sees 2009 sales at €17.9-18.3bn (17.81bn exp) / Sees FY09 Ebit 1.56-1.58bn (1.52bn exp) / Sees 2010 sales at €17.8-18.6bn (18.41bn exp) / Sees 2010 Ebit 1.52-1.60bn (1.64bn exp) / Sees 2010 orders > €21bn

BULGARI : Q4 sales €297m (306m exp) / Expects 2010 to be better than last year as markets improve

HENKEL : Q4 sales €3.35bn (3.49bn exp) / Q4 Ebit 293m (360m exp) including a €284m one-off restructuring charge / Expects to outperform its markets in terms of organic sales growth in 2010 + sees adj. operating profit & EPS to improve noticeably...

ALLIANZ : CFO said that he can't rule out certain write-downs related to Greek government bonds (Die Welt) / He also said he doesn't expect a "complete default" of the bonds of countries like Greece, saying that "Europe won't allow that"

SAMSUNG ELECTRONICS : Q4 sales W39.2 Trl (36.96 Trl exp) / Operating W3.7 Trl, in line / Telco unit better / Chip & LCD unit overall in line / Media unit quite weak / To pay dividend of W7500 for 2009 / Sees better growth in 2010 but with DRAM prices down 10% & NAND prices down 20%

	RESULTS	DIVIDENDS	EVENTS
Today	<p>EU \ Infineon / OMV (BMO)</p> <p>US \ Chevron final / Ford / Fortune Brands / Honeywell (BMO)</p> <p>Asia \ Kia Motors / NTT DoCoMo / Samsung Electronics / Tata Motors</p>		Banco Popolare EGM / Porsche AGM / Siemens AGM
Monday	<p>EU \ Atlas Copco</p> <p>US \ Exxon Mobil /</p> <p>Asia \ Mitsui Chemicals</p>	Santander (€0,12294) / Porsche (€0,05)	Energy Summit at Credit Suisse / Kraft Foods EGM
Tuesday	<p>EU \ BP / Enagas / Gazprom / Novo Nordisk / Vinci sales (AMC)</p> <p>US \ Dow Chemical (11.30 GMT) / Man Power / Sun Micro / US car sales / VeriSign (AMC)</p>		Imperial Tobacco AGM
Wednesday	<p>EU \ Fortum / Mapfre / Roche (BMO) / Sandvik (BMO) / Scania / Standard Life (BMO) / Tandberg</p> <p>US \ Broadcom (AMC) / Black & Decker / Cisco (AMC) / Comcast / Electronic Arts / International Power / Lazard / Pfizer / Philip Morris / Time Warner (BMO) / Visa (AMC)</p> <p>Asia \ Mitsubishi Motors / Sumitomo Chemical / Takeda Pharmaceutical / Toyota Industries</p>	Alcoa (\$0.03) / Boeing (\$0.42) / Intel (\$0,1575) / Pfizer (\$0.18) / Sodexo (€1,27)	American Express financial meeting
Thursday	<p>EU \ Banco Santander / Danske Bank / Deutsche Bank / GSK / LVMH / Munich Re / Neste Oil / Portugal Telecom / Royal Dutch / Stora Enso / Unilever / Zurich Financial</p> <p>US \ Kellogg (13.00 GMT) / Kraft Food / Master Card / Northrop Grumman / Sara Lee</p>		

TRADING IDEAS

BUY ALCATEL / STM and ACCOR to play dollar names

BUY TOTAL / ARCELORMITTAL / CAP / ALSTOM / GSZ / AIR LIQUIDE / SANOFI killed yesterday

BUY EON / SAP / BAYER / ABB to play double bottom

BUY BASF on reversal head & shoulder possibility

BUY ADECCO on island possibility

BUY DANONE / SELL NESTLE // BUY DTE / SELL FTE // BUY CAP / SELL SAP // BUY DAIMLER / SELL PEUGEOT

BROKER METEOROLOGY

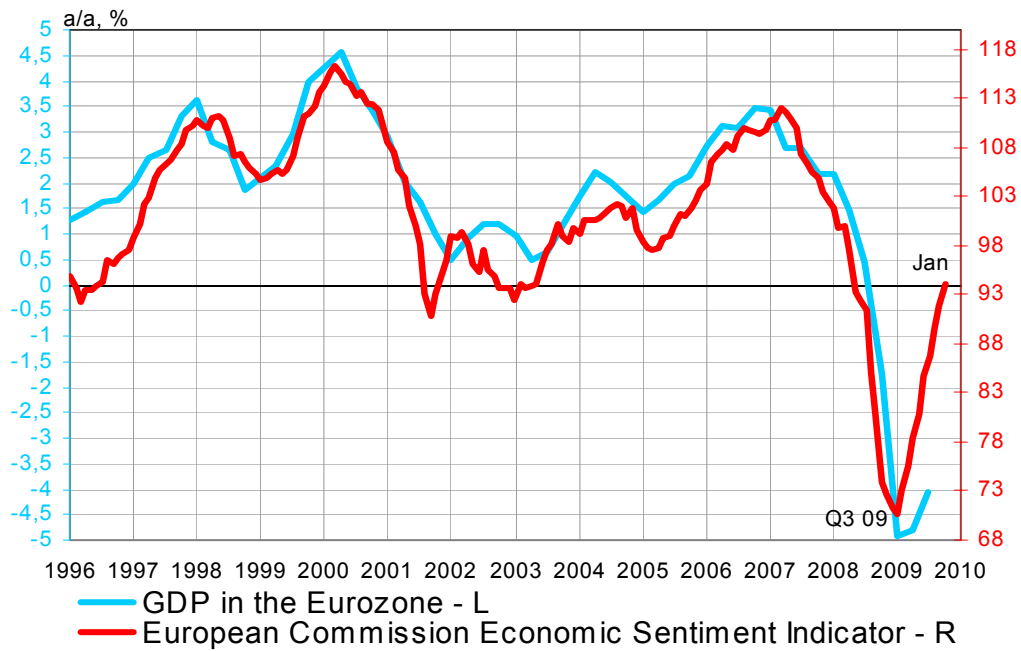
BASF RAISED TO HOLD FROM SELL BY CITI
 GIVAUDAN RAISED TO BUY FROM HOLD BY CITI
 H&M RAISED TO BUY FROM HOLD BY DBK
 SKF UPGRADED TO BUY FROM NEUTRAL BU UBS

MUV2 CUT TO UNDERPERFORM FROM NEUTRAL BY ML
 AIR LIQUIDE CUT TO HOLD FROM BUY BY CITI

PLEASE FIND BELOW ON THE NEXT PAGE OUR MORNING ECO

CHART OF THE DAY

Euro area GDP (YoY) and economic confidence index Since 1996



Source: European Commission

Euro area economic confidence increased more than forecast from 94.1 in December to 95.7 in January (forecast 92.3). This is the tenth consecutive month of increase of the economic confidence index which is the best lagging indicator of the euro area GDP as showed on the above graph./JB

Time	Country	Indicator	Period	GE forecasts	Consensus	Previous
23.30 GMT	Japan	Jobless rate	December		5,3%	5,2%
23.30 GMT	Japan	National consumer price index	December		-1,7% YoY	-1,9% YoY
23.30 GMT	Japan	National consumer price index core	December		-1,1% YoY	-1,0% YoY
23.50 GMT	Japan	Industrial production (preliminary)	December		+2,5%,+5,7% YoY	+2,6%, -4,2% YoY
10.00 GMT	Euro area	Unemployment rate	December	10,1%	10,1%	10,0%
10.00 GMT	Euro area	Consumer price index (estimate)	January	+1,6% YoY	+1,2% YoY	+0,9% YoY
13.30 GMT	United-States	GDP annualized (advanced)	4th quarter	+4,0%	+4,6%	+2,2%
13.30 GMT	United-States	Personal consumption (advanced)	4th quarter		+1,8%	+2,8%
14.45 GMT	United-States	Chicago purchasing managers	January		57	58,7
14.55 GMT	United-States	University of Michigan consumer confidence	January		73,0	72,8
15.00 GMT	United-States	NAPM-Milwaukee	January			52,0

Indexes	Price	% 5 Days	Ytd
DJIA	10120,5	-2,59%	-2,95%
S&P 500	1084,5	-2,85%	-2,74%
Nasdaq	2179,0	-3,82%	-3,97%
CAC 40	3688,8	-4,49%	-6,29%
DAX	5540,3	-3,60%	-7,00%
Eurostoxx 50	2737,3	-4,32%	-7,68%
DJ 600	244,6	-3,19%	-3,66%
FTSE 100	5145,7	-3,54%	-4,94%
Nikkei	10198,0	-4,18%	-3,30%
Shanghai Comp	2991,3	-5,22%	-8,72%
Sensex (India)	16073,2	-6,67%	-7,97%
MICEX (Russia)	1406,6	-2,04%	2,67%
Bovespa (Brasil)	65587,8	-3,83%	-4,38%

Forex	Price	% 5 Days	Ytd
EUR/USD	1,3945	-1,40%	-2,73%
EUR/JPY	125,44	1,26%	-6,47%
USD/JPY	89,96	-0,14%	-3,55%
Oil	Price	% 5 Days	Ytd
Brent \$/b	71,5	-0,17%	-7,36%
Gold	Price	% 5 Days	Ytd
Gold \$/oz	1081,2	-1,09%	-1,43%
Rates	USA	Euro	Japan
Central Banks*	0,25	1,00	0,10
Overnight	0,04	0,25	0,10
3 Months	0,07	0,28	0,20
10 Years**	3,62	3,20	1,33

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

** Euro: German Bund rate Source : Bloomberg

ECONOMIC DATA PREVIEW

Watch in **THE UNITED-STATES** the advanced release of the GDP (annualized) for the fourth quarter released at 13.30 GMT. Lead by the rebound of investment, industrial production and household spending this US GDP could reach 4% annualized.

Watch in **THE EURO AREA** the first estimation of the consumer price index for January released at 10.00 GMT, expected to reach 1.6% led by a positive base effects as energy prices decreased significantly a year ago. Keep an eye on the Unemployment rate expected to increased from 10% in November to 10.1% in December as employment remains a lagging indicator of the economic activity with a gap of six to nine months.

ECONOMY

UNITED-STATES : DURABLE GOODS ORDERS DISAPOINTS IN DECEMBER

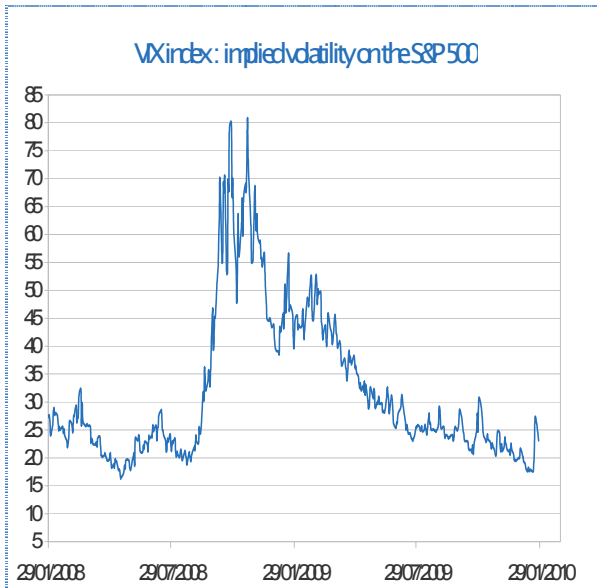
After declining by 0.4% in November US durable goods orders rose by a small 0.3% in December. Far from the original forecast at 2% durable goods have been penalized by computer and electronic (-3.0%) and by electrical equipment (-3.9%). Meanwhile machinery rose by 6% and primary metals by 8.1%. After increasing by 2.1% in November durable goods orders ex transportations increase by 0.9% in December (forecast +0.5%). More generally its important to bear in mind that durable goods statistics are very volatile as they are strongly linked to car sells.

UNITED-STATES : INITIAL JOBLESS CLAIMS AND CONTINUING CLAIMS IMPROVED LAST WEEK

After increasing for three consecutive weeks initial jobless claims slightly declined to reach 470 000 last week (prior 478 000) confirming the progressive recovery of the labour market. Meanwhile continuing claims improved for a sixth consecutive month to reach 4 602 000 (prior 4 659 000). As showed by the latest ISM manufacturing and services "employment sub index" the employment recover will improve at a faster pace in the coming months.

EURO AREA : NEW RISE OF THE ECONOMIC CONFIDENCE IN JANUARY

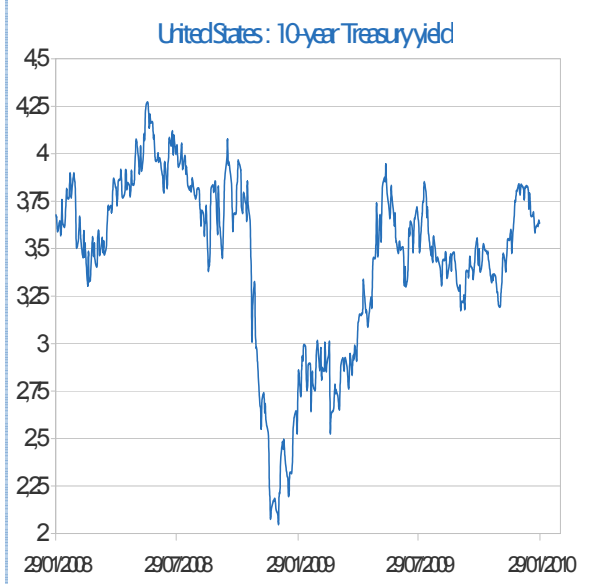
Euro area economic confidence increased more than forecast from 94.1 in December to 95.7 in January (forecast 92.3). This is the tenth consecutive month of increase of the economic confidence index (the best lagging indicator of the euro area GDP). Indeed the euro area is progressively recovering as showed by the PMI manufacturing and services surveys. Nevertheless the recovery in the euro area remains weak and fragile and the GDP should rise by a small 1.5% (yearly average in 2010)./JB



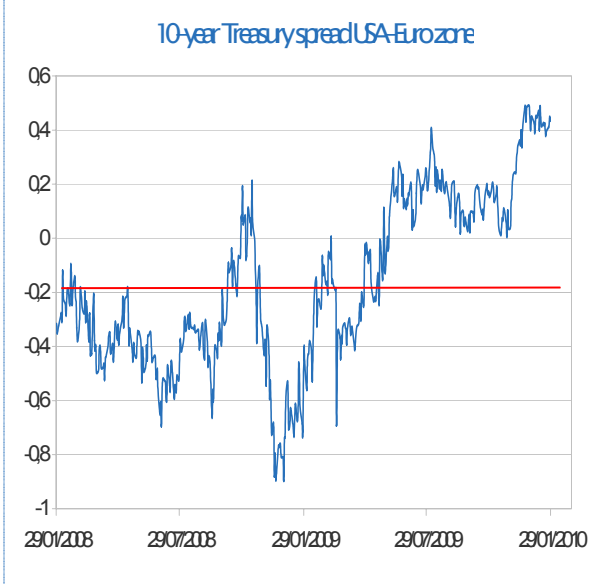
Source: Bloomberg



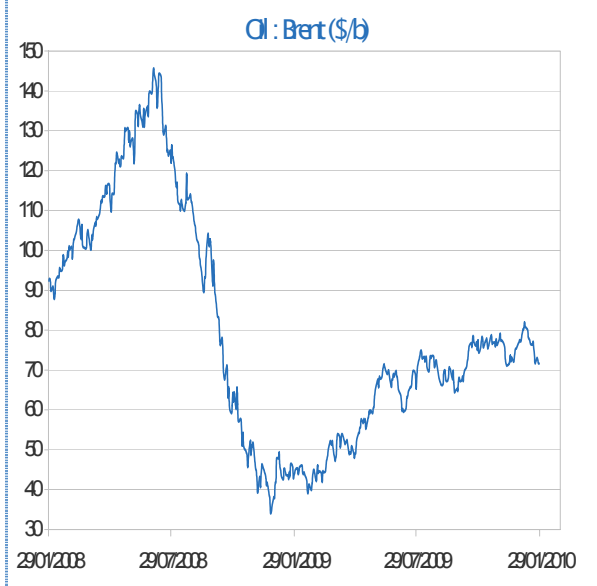
Source: Bloomberg



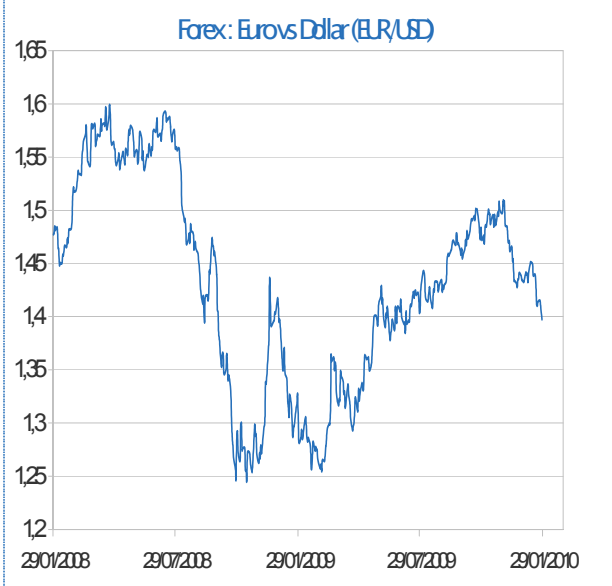
Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg